Deutsche Postbank Group

Interim Report as of June 30, 2010

Postbank Group in figures

		Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009[1]
Consolidated income statement			
Total income	€m	1,936	1,527
Administrative expenses	€m	–1,408	–1,403
Profit/loss before tax	€m	225	–100
Consolidated net profit	€m	153	113
Cost/income ratio	%	72.7	91.9
Return on equity			
before tax	%	8.3	–4.1
after tax	%	5.6	4.6
Earnings per share[2]	€	0.70	0.52

		June 30, 2010	Dec. 31, 2009
Consolidated balance sheet			
Total assets	€m	241,675	226,609
Customer deposits	€m	113,892	111,067
Customer loans	€m	109,014	108,971
Allowance for losses on loans and advances	€m	1,810	1,641
Equity	€m	5,465	5,251
Tier 1 ratio excluding market risk	%	7.9	7.6
Tier 1 ratio including market risk	%	7.3	6.6
Headcount (FTEs)	thousand	20.75	20.86
Long-term ratings			
Moody's		A1 / outlook negative	Aa3 / outlook rating under review
Standard & Poor's		A– / outlook positive	A– / outlook positive
Fitch		A+ / outlook stable	A+ / outlook stable
Information on Postbank shares		June 30, 2010	June 30, 2009
Share price at the balance sheet date	€	23.90	18.11
Share price (Jan. 1 – June 30)	high €	27.73	19.42
	low €	21.16	6.81
Market capitalization on June 30	€m	5,229	3,962
Number of shares	million	218.8	218.8

[1] Prior-year figures restated (see Note 4)
[2] Based on 218.8 million shares

Deutsche Postbank Group
Interim Report as of June 30, 2010

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Ladies and gentlemen,

Postbank has ended the second quarter of 2010 with a profit before tax of €94 million. The pre-tax figure for the first half of 2010 as a whole amounts to €225 million. Clearly, Postbank has recovered from the losses of the previous year. Good operating earnings from the customer business, in particular from net interest income, contributed significantly to this encouraging development. Substantially diminished negative effects from the structured credit substitution business (SCP) as compared to the prior year also played a major role. The allowance for losses on loans and advances in the lending business also declined sharply as against the end of the previous fiscal year, but was still above the level seen before the financial market crisis.

Developments on the capital markets in the second quarter were dominated by the intensified debt crisis in which a number of European countries find themselves. In response, European governments working in concert created a stabilization fund with a total volume of up to €750 billion. We assume that this measure, like the budget consolidation programs initiated by most European governments, will be effective and help calm the capital markets. Otherwise the turbulence had no noticeable impact on Postbank's earnings situation.

Postbank passed the EU-wide bank stress test coordinated by the Committee of European Banking Supervisors (CEBS). The expected Tier 1 ratio calculated for the toughest stress scenario was over the required threshold value of 6%. Having mastered the capital market crisis to date without government aid, Postbank was thus once again able to prove that its business model focused primarily on retail-banking customers is robust enough to withstand even more adverse conditions. We rely not only on adequate capitalization – which we intend to continue strengthening as planned – but also on our very solid liquidity position resulting from a high level of customer deposits. In addition, it has become evident that Postbank is less sensitive to the assumed stress parameters than other financial institutions, attributable not least to the comparatively good structure of our assets side with a focus on the retail banking business in Germany.

Postbank's Tier 1 ratio calculated as of June 30, 2010, was 7.9% without market risk positions, 7.3% with market risk positions and thus clearly above the figures for the end of 2009 (7.6% and 6.6% respectively). Continuous strengthening of our capital ratio remains one of our utmost priorities. We are, for example, continuing with our project to introduce more sophisticated risk measurement models and are still planning to retain earnings from the fiscal years through 2012 to strengthen our equity base. This should help us in reaching our goal of a Tier 1 ratio of approx. 9.5% including market risk positions by 2012 (approximately 10% without market risk positions) pursuant to the current valid definition.

We also took important strategic steps in the second quarter of 2010. The majority of the measures contained in our "Postbank4Future" strategy program for improving our customer service and thus our competitive position have now been implemented. One important development here was the acquisition of 277 Deutsche Post retail outlets as of July 1, 2010, enabling us to expand our network of self-run branches to over 1,100. In the future, stronger focus will be placed on banking services in these new branches – just as it is in the existing Finance Centers – thus further improving support and advising capacities for Postbank customers.

After an initial start-up and investment phase, we expect this measure to make a positive contribution to earnings in the mid-term future.

Despite continuing intensive competition, the customer business developed well in the first half of 2010. We were able to increase our book of customer deposits and our lending business. This development is all the more encouraging since we were able to improve profitability in both areas, as can be seen in the sharp rise in net interest income at the Group level as well as in the Retail Banking and Corporate Banking segments.

Based on the good development in our operating business thus far, we are confident of being able to generate a positive result for fiscal year 2010 as a whole. However, our current cautious estimate is that the second half of the year will not yield a similar level of results as the first. This estimate is based on lingering uncertainties in the international capital and real estate markets, the very good operating performance thus far this year with regard to income, and in the rising administrative costs expected for the second half of the year, due among other things to investments in the expansion of our branch network.

A longer-term forecast for sustainable return on equity is generally difficult at the moment, due both to existing uncertainties and to the on-going discussion on future regulation of the banking market. I am referring here, for example, to the likely introduction of a bank levy, deposit protection reform and the much-debated toughening of capital requirements. Postbank is taking this situation into account and will not publish estimates of a mid-term sustainable return on equity until economic conditions have been clarified. We are determined to further expand the Bank's strong market position and we are confident that we will continue on a course of profitable growth even in a changed regulatory environment.

We hope you will continue to accompany us on this path.

Bonn, August 4, 2010

Sincerely,

Stefan Jütte
Chairman of the Management Board

Shareholders and Stock:
Markets dominated by discussions of sovereign debt

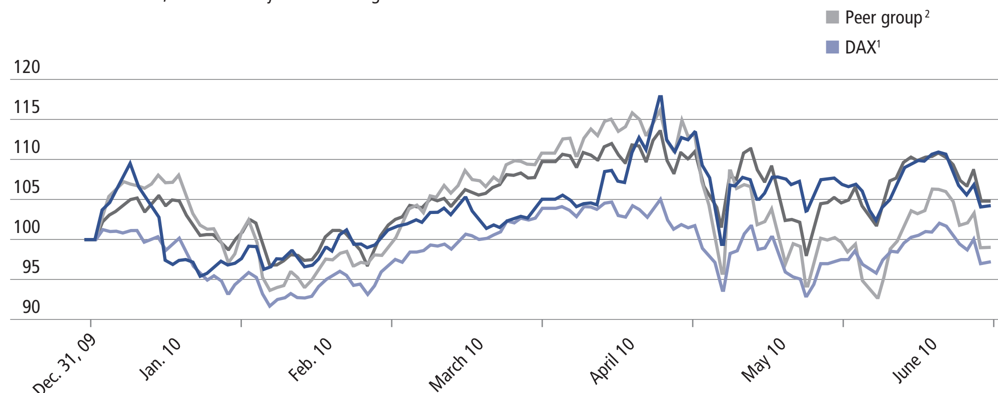
Stock from banks and insurance companies continued to lag behind the market as a whole in the first half of 2010. In this difficult market environment, the Postbank share rose slightly by 4.4 % to €23.90.

Debt crisis spills over to stock and foreign-exchange markets

After registering growth in the first quarter of 2010, international stock markets came under pressure in the second quarter. The debt situation in European Union countries led to strong price movements on the capital market. While these strong fluctuations were initially limited to the associated government bonds, the euro also dropped notably in value due to concerns over stability in the monetary zone. In order to stabilize the situation, European governments created a bailout package for member countries in difficulty. The total volume of €750 billion is composed of funds from the EU, individual Member States and the International Monetary Fund (IMF). This support, offered in the form of loans and guarantees, is coupled with closely monitored measures for consolidation of government budgets. The DAX climbed 0.1% in the first six months, while the MDAX rose 6.7%.

Performance of Postbank stock in the first half of 2010 (December 31, 2009 to June 30, 2010)

Values linked to index, based on the year-end-closing = 100



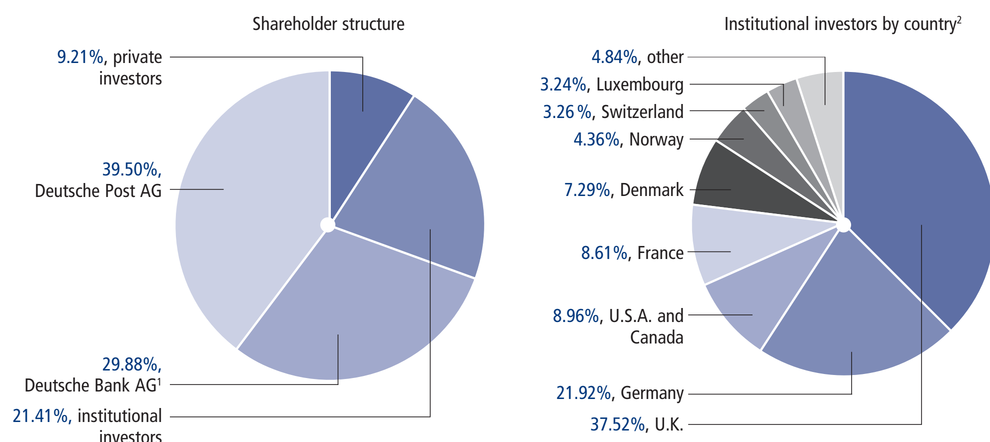
Source: EcoWin

[1] DAX and MDAX each as price index
[2] Banco Popular Espanol, Banco Popolare, Unicredit, Banco Espirito Santo, Erste Bank, Svenska Handelsbanken, Swedbank, Royal Bank of Scotland in local currencies

Stocks from banks and insurance companies decreased in value in the first half of 2010. Share prices of DAX-listed banks and insurance companies, for example, fell an average of 4.7 %. In contrast, the Postbank share developed comparatively well in the same period, rising 4.4 % to €23.90.

The largest shareholders in Postbank are still Deutsche Post, which holds 39.50 % of shares, and Deutsche Bank, which indicated in its annual report that it holds 29.88 % of Postbank shares. Free float is thus just under 31 %, of which approximately 9 % is held by private investors and a good 21 % by institutional investors. The majority of institutional investors in Postbank are located in Great Britain and Germany. The share of British investors continued to rise from just under 30 % in late December to a current figure of just over 37 %.

Shareholder structure of Deutsche Postbank AG as of June 30, 2010



[1] As of December 31, 2009 according to information from Deutsche Bank AG dated December 31, 2009

[2] The charts refer to identified investors. Source: D. F. King, as of June 30, 2010

Deutsche Bank has reached an agreement with Deutsche Post on a mandatory exchangeable bond and option rights for the transfer of shares to Deutsche Post. With these instruments in hand, Deutsche Bank has the opportunity to acquire a majority stake in Postbank.

Our stock data		H1 2010	H1 2009[1]
Closing price	€	23.90	18.11
High	€	27.73	19.42
Low	€	21.16	6.81
H1 earnings per share	€	0.70	0.52
Number of shares	million	218.8	218.8
Market capitalization as of June 30	€m	5,229	3,962
Beta factor (relative to the DAX)		1,03	1.50
Equity including revaluation reserve	€m	5,465	5,251
Return on equity after taxes	%	5.6	4.6
Cost/income ratio	%	72.7	91.9

[1]Prior-year figures restated.

Additional information, current news and presentations on Postbank as well as various service offers are available online at www.postbank.com/IR.

Developments in H1 2010:
Milestones of the "Postbank4Future" strategy program reached

With the acquisition of 277 Deutsche Post retail outlets and the restructuring its checking account product, Postbank has implemented two key measures of the "Postbank4Future" strategy program. Both measures aim at further improving customer service and the Bank's competitive position. In the customer business, positive momentum in the first half of 2010 was driven in particular by strong growth in demand deposits and a high volume of new business in home loan and savings contracts and securities.

Significant expansion of the service network

Postbank further expanded its service network with the acquisition of 277 Deutsche Post retail outlets as of July 1, 2010. This acquisition will benefit in particular the approximately two million Postbank customers already using these retail outlets, as their existing banking locations and personal contacts will remain unchanged. In addition, stronger focus will be placed on banking services in the retail outlets in the future – just as in the existing Finance Centers – thus further strengthening support and advising capacities for Postbank customers. Nevertheless, the entire range of Deutsche Post products and services will continue to be offered at these outlets, and services related to personal infrastructure, such as contracts with energy, gas and telecommunications providers, will be added in the mid-term future.

In addition to more than 1,100 of its own branches, Postbank is now represented in over 4,500 Deutsche Post partner retail outlets, giving it the most concentrated service network of any individual bank in Germany. Following an initial start-up phase in which the branches specializing in banking business are to be expanded or remodeled and the relevant employees appropriately trained, Postbank expects that the measure will make a positive contribution to earnings in the mid-term future.

Since the agreement between Postbank and Deutsche Post regarding acquisition of the retail outlets is not a traditional purchase agreement, a purchase price was not paid. Instead, Postbank is acquiring the retail outlets within the scope of a long-term cooperation agreement. Postbank is furthermore assuming responsibility for the lease contracts of the involved locations. The staff working in these retail outlets will remain employees of Deutsche Post.

In June of 2010, we finished equipping Shell service stations in Germany with staff-assisted cash withdrawal points as planned; Postbank checking customers can now withdraw cash free of charge at over 1,200 Shell service stations. Intensive use is already being made of this enhanced service offer. Including terminals at Cash Group banks, our customers now have a total of some 9,000 ATMs available to them free of charge.

Postbank is fulfilling the service promise made in its "Postbank4Future" strategy program with these measures and a substantially streamlined range of products. The primary goal is to lastingly secure Postbank's position as the leading retail bank in Germany in a changed competitive environment, among other things by honing its profile as a customer-oriented product bank. Postbank is thus aligning itself even more closely to its customers' needs.

Checking account made even more attractive

At the start of the second quarter of 2010, we added new product features to the Postbank checking account, further enhancing the customer benefits provided. One key new feature is reduction of the minimum deposit required to maintain a checking account free of charge from €1,250 to €1,000 per month. This makes the checking account attractive for an even broader segment of the population. In addition, our customers now receive a discount on fuel as part of our cooperation agreement with Shell. This should have a positive impact on new business in the current year.

At over 4.9 million, the number of private checking accounts held at Postbank remained nearly unchanged as against the end of 2009. Postbank has thus successfully maintained its position as the largest provider on the German market.

The encouraging development in demand deposits held at Postbank by retail and business customers continued, rising nearly 11.4% over June 30, 2009, to €19.5 billion. This represents growth of some €1 billion as compared to the end of 2009.

Savings business stable at a high level

The volume of savings deposits totaled €56.4 billion as of late June 2010, up 0.9% in a year-on-year comparison. The slight decline as compared to the end of last year (December 31, 2009: €57.2 billion) was within the scope of our expectations. Following the record growth seen in the previous year, Postbank expects a consolidation of deposit volumes for 2010 as a whole. At 6.4%, Postbank's market share remains at a very high level. It was 6.1% as of June 30, 2009.

The focus of interest in new business was on the "Postbank Aktiv-Sparen" product, offering an attractive base interest rate and additional bonus for increasing deposits, as well as on the "Postbank SparCard direct" product, which offers attractive conditions geared especially for reaching Internet-savvy customers. After the record amount of €9.4 billion seen last year for the same period, the volume of gross new business slowed in line with our expectations to reach €4.1 billion.

Robust growth in new home savings business

In our home savings business under the BHW brand, total home savings written increased 9.6% year-on-year to some €5.7 billion. New growth was driven by Postbank Finanzberatung AG, in which Postbank's mobile sales force has been bundled, and in particular by the Postbank branches and business through cooperation partners. Both sales channels were able to increase their new home savings business by over 40% respectively in year-on-year comparison. This development was supported by the introduction of a standard homes savings plan with simple product features and concentration on the area of demand called "Meine vier Wände" (where I live) initiated within the scope of the "Postbank4Future" strategy program.

In the first half of 2010, home savings deposits rose 3.1% over the end of 2009 to €16.6 billion, representing growth of 5.1% over the prior-year period.

Light increase in portfolio of mortgage loans

As of June 30, 2010, the volume of new business in private mortgage lending totaled €3.6 billion, down 16.3% on the prior-year period. This decline is the result of a modified new business management concept that focuses in particular on business suitable for cover funds and a less aggressive definition of terms than we have observed among various competitors.

The portfolio of mortgage loans totaled €73.7 billion as of June 30, 2010, up 1.2% on the prior-year period. Compared with the close of 2009, the portfolio was stable to a very high degree. Market share amounted to 9.4%.

Installment loan book continues to grow

In the first half of the year, new business in the installment loan product field dropped by 5.5% to €703 million as a result of a loan approval process that was more selective than in the previous year. Consumer car loans, which had profited strongly from the cash-for-clunkers program in the previous year, were particularly affected. During the first half of the year, new business of €361 million in the second quarter was substantially better than the €342 million generated in the first quarter. Here, the Postbank cooperation business performed especially well.

With a volume of €3.8 billion as of June 30, 2010, the installment loan book rose 11.8% compared with the previous period last year. Our market share in this product field is now 2.7%.

Securities and insurance business up on weak prior-year

New securities in 2010 climbed sharply above the weak first half of 2009, which was still marked by the impacts of the financial-market crisis. Gross cash inflows in the first two quarters rose by 37.5% against the same prior-year period to reach €1.1 billion. In the same period, the volume of securities managed increased 14.9% to €11.6 billion.

The endowment insurance business, including the results of sales of the "DWS RiesterRente" product through Postbank Finanzberatung, improved significantly thanks to our efforts, rising 16% in the first six months over the prior-year period. In the second half of 2010, we are proceeding on the assumption that the sale of the "DWS RiesterRente" product, soon to be offered in the branches, as well as a retirement-provisions campaign will provide further positive momentum.

In the non-life insurance business with our partner HUK-COBURG, we exceeded the result of the comparable period last year quite substantially and brokered some 52,000 contracts.

Additional Retail Banking information

New business		H1 2010	H1 2009	2009
New checking accounts	thousand	209	223	454
New savings deposits (gross)	€bn	4.1	9.4	17.1
New mortgage lending business	€bn	3.6	4.3	8.3
New private lending	€bn	0.70	0.74	1.45
Total home savings-written	€bn	5.7	5.2	10.8
New securities business	€bn	1.1	0.8	2.0

Book		June 30, 2010	June 30, 2009	Dec. 31, 2009
Checking accounts	million	4.92	4.94	4.94
Savings deposits	€bn	56.4	55.9	57.2
Home savings deposits	€bn	16.6	15.8	16.1
Private mortgage lending book including portfolio acquisitions	€bn	73.7	72.8	73.8
Personal loans	€bn	3.8	3.4	3.6
Volume of securities accounts	€bn	11.6	10.1	11.1

Positive trend continues in Corporate Banking

In Corporate Banking, we expanded our loan portfolio in the first half of 2010 as against the corresponding prior-year period. Overall, the portfolio of loans to corporate customers climbed to €30.4 billion as of June 30, 2010, after €26.8 billion as of June 30, 2009; compared with December 31, 2009, it remained unchanged. This includes the commercial real estate lending business in which we took on only highly selective new exposures in conformity with our strategy. Due in part to currency exchange rates, total volume in this business area grew from €18.0 billion in late 2009 to €18.9 billion as of June 30, 2010. All in all, Postbank was able to further cement its reputation as a reliable partner in the credit business.

In the field of payment transactions, the number of transactions handled, 410 million in total, was up 4.6% over the prior-year period.

The investment volume of our corporate customers climbed to €21.4 billion in the first half of 2010, up 12.6% as against the end of 2009 and 24.4% as of June 30, 2009.

Transaction Banking remains at stable prior-year level

In the first half of 2010, the Postbank subsidiary BCB AG handled approximately 4 billion transactions for Postbank AG and four other clients. The transaction volume thus remained on par with the level seen in the previous two years.

Commerzbank has begun transferring the handling of initial tasks, such as the processing of inquiries regarding domestic and foreign transactions, from its client Dresdner Bank back to its own payment transaction processing service. At present, reintegration of payment transactions from the former Dresdner Bank into Commerzbank is scheduled for completion by the end of April 2011. Relevant restructuring measures within BCB AG have begun. The integration of the payment transaction processing for our customer HSH Nordbank is proceeding as planned.

As expected, the number of employees continued to decline slightly

At the end of the first half of 2010, the number of employee was once again down as against the first quarter, decreasing by 134 to 20,748. In year-on-year comparison (June 30, 2009: 20,910 employees) this represents a decrease of approximately 0.8%. In total, we expect that we will be able to meet our current planning targets, reducing the number of employees to approximately 20,560 by the end of 2010. The acquisition of more then 270 Deutsche Post retail outlets will make no difference in the number of employees as the staff in these outlets will remain employees of Deutsche Post.

Employees

	June 30, 2010	June 30, 2009
Number of employees (full-time equivalents)	20,748	20,910
Part-time employees	5,464	5,417
Percentage of female FTEs	58%	58%
Percentage of male FTEs	42%	42%
Percentage of civil servants	33%	34%

Interim Management Report

Business Environment

Economic environment

The world's economy expanded in the first half of 2010. This momentum was particularly strong in the economies of emerging countries. The signs of recovery multiplied in industrial countries as well. Nonetheless, major differences existed here. While some countries generated high growth rates, others barely did much more than stagnate.

In the United States, the economic recovery continued during the second quarter after economic growth surged at the beginning of the year. Signs of recovery could be seen particularly in business investments. Spending on private consumption began to rise moderately. The labor market improved only marginally. Unemployment remained very high, however, and the utilization of macroeconomic capacities continued to be very low.

The emerging countries of Asia experienced robust economic growth. In China, GDP climbed by 11.1% in the first half of the year compared with the same period last year. Boosted by its export sector, Japan continued to profit from the recovery of the world's economy. Its GDP grew markedly during the first quarter, and this surge continued in the second quarter.

At the beginning of 2010, the economic output of the euro zone also developed positively. The spurts of growth experienced at the beginning of the year picked up speed in the spring. In particular, industrial production climbed steeply. The euro zone was buoyed by strengthening global demand and the simultaneous weakening of the euro. But the pace of economic growth within the currency zone varied vastly. In some countries, recovery trends grew measurably. On the other hand, some of the southern member states were weighed down by increasing concerns about the sustainability of sovereign debt and the measures forced on them to consolidate government budgets. Following moderate growth of German GDP at the beginning of the year, the pace of the country's economy in all likelihood should have noticeably accelerated during the second quarter, according to our current estimates. Very rapidly growing demand at home and abroad fueled an extremely strong increase in industrial production. Following an unusually cold winter at the beginning of the year, construction activities quickly picked up speed. Amid this environment, seasonally adjusted unemployment decreased markedly. At the same time, the ifo business-climate index continued its upward movement at a high level.

Overall, trends in macroeconomic conditions largely reflected the expectations we expressed in our last report.

The pressure on sovereign bonds of euro-zone members intensified in the second quarter. After doubts were initially raised primarily about Greece, concerns that other peripheral euro-zone states could have problems servicing their sovereign debt arose as well. A rescue package for Greece with a volume of up to €110 billion that was put together at the beginning of May by EU countries and the IMF was able to settle the markets only for a short period of time. The risk premiums especially for Greek, Portuguese and Spanish government bonds once again rose steeply. The governments of the EU member states responded to this development by creating a far-reaching rescue package for member countries that encounter difficulties. This package has a total volume of €750 billion, which consists of funds provided by the EU, euro-zone members and the IMF. To ensure the markets' operational capability, the European Central Bank decided that it would purchase the bonds of euro-zone countries if necessary. The first bonds were bought shortly after the announcement was made. This package of measures helped stunt the rise of risk premiums during the course of the second quarter. At the same time, these premiums remained to the last at an extremely high level.

The crisis-driven developments among European sovereign bonds had a negative impact on the operational capabilities of the interbank market. To assure liquidity, the ECB reactivated some of its unconventional steps after it had begun to allow them to expire. Amid this environment, the ECB decided to leave its key interest rate at a record low level of 1% through mid-2010. In the United States, the key rate remained at its historically low level of 0% to 0.25%. The markets' intense worries resulted in a flight to safe investment havens. In contrast to our expectations, yields of government bonds considered as safe declined rapidly. The yield curve flattened significantly. In historic comparison, though, it remains steep.

Sector situation

The direct impact of the global financial market crisis that began in mid-2007 is increasingly waning in significance. Since the crisis began, the entire financial industry has recognized nearly $1.8 trillion in impairments, writedowns and losses from distressed assets on their balance sheets and raised about $1.5 trillion in fresh capital to strengthen its equity base. The volume of aggregate quarterly global writedowns, however, is continuing to fall. In Germany, Aareal Bank became the first financial institution to announce that it would make a partial repayment of the government equity support measures it received. Despite this positive development, it will certainly take more time before financial institutions have completely recovered from the blows dealt by the crisis. Furthermore, the sovereign-debt crisis of the PIGS countries (Portugal, Ireland, Greece and Spain) has had a negative impact on the trading books of some banks.

In June 2010, the European Commission extended the authorization for Germany's financial market stabilization fund SoFFin by six months to December 31, 2010. In the second quarter, SoFFin also issued guarantees and equity support measures. Total stabilization relief rose from €172.5 billion at the end of the first quarter of 2010 to €182 billion through the second quarter. Of this amount, €152.6 billion (March 31, 2010: €144.4 billion) was used for guarantees and €29.4 billion (March 31, 2010: €28 billion) for equity support measures. The increase applied to two institutions: Düsseldorfer Hypothekenbank, whose guarantee facilities were expanded again as part of the acquisition by the financial investor Lone Star; and Hypo Real Estate, whose guarantee facilities and equity support measures were expanded. Hypo Real Estate's bad bank was also established. It is designed to hold up to €210 billion in toxic assets. Approval by the European Commission is still pending. In the second quarter, WestLB transferred €77 billion in toxic assets to its bad bank. As required in the restructuring plan for the Landesbank by the EU, the

sales process of the subsidiary WestImmo is under way. As part of the consolidation of the German banking market, BHF Bank, which Deutsche Bank acquired as part of its takeover of the private bank Sal. Oppenheim jr. & Cie. KGaA, has also been put up for sale. In mid-July, Santander of Spain acquired the German branch business of SEB of Sweden.

In analyzing business trends among German banks, we have considered, as we have done in previous quarters, the four banks listed in Deutsche Börse's Prime Standard. A comparison of these banks' results from the first quarter of 2010 with the same period last year clearly shows an improvement in each institute's performance. Two institutions returned to the profit zone on an operational basis, and all four banks are now back in the black. While all four banks boosted their operating earnings, three improved their return on equity or their cost-income ratio, on the one hand, and net interest income, net fee and commission income or net income from proprietary trading improved, on the other. Despite the positive trends in the cost-income ratio, most of the banks faced increased costs in the form of administrative expenses. During the second quarter, nearly all lending institutions saw their stock prices fall. After six months, they produced an unweighted average gain of only 0.2%. This result nearly mirrored the performance of the DAX, which generated a gain of 0.1% in the same period. The share prices of all four banks remain well below their respective levels reached before the financial crisis struck in mid-2007.

Significant events at Postbank in the first half of 2010

February 25:
Postbank released its annual results for 2009, which concluded with a consolidated net profit of €76 million.

March 24:
Postbank successfully issued its fourth *Hypothekenpfandbrief* with a volume of €1 billion.

April 29:
The Annual General Meeting of Postbank was held in Frankfurt am Main. All motions were approved by large majorities.

June 22:
As part of its "Postbank4Future" strategy program, Postbank announced that it will acquire 277 retail outlets of Deutsche Post as of July 1, 2010.

Postbank's investment focus

One investment focus in 2010 remains the expansion and modernization of sales channels, for example in the context of the strategic acquisition of 277 retail outlets of Deutsche Post that took effect on July 1, 2010, to ensure the strategic provision of financial services on the local level, as well as the expansion and modernization of customer-service systems as part of the "Postbank4Future" strategic program. Investments related to the service life of software and systems being used will also be required. These investments will include the new banking-service platform SAP and the switch to SAP ERP 6.0.

Further investments are being made in a program to improve the risk management infrastructure, particularly the obtainment of A-IRBA (advanced internal rating-based approach) to reduce risk-weighted assets and, as a result, improve the capital ratio as well as the implementation of such legal and regulatory requirements as the consumer-loan regulations, the flat tax, SEPA, and the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Modernization Act).

Net Assets, Financial Position, and Results of Operations

Income statement

In the first half of 2010, Postbank generated a profit before tax of €225 million, following a loss of €100 million in the prior-year period. Profit in Q2 2010 amounted to €94 million, following €131 million in the first quarter. The positive year-on-year development is due on the one hand to encouraging growth in net interest income and to the significant decline in negative effects from the Bank's risk positions on the other. Despite a number of non-recurring expenses in Q2 2010, systematic cost management led to administrative expenses remaining essentially unchanged year-on-year and allowed the improvements in income to be reflected in profit before tax.

Postbank's customer business performed positively on the whole in the first half of 2010. This can be seen in particular in the growth in portfolio volume, which expanded significantly compared with the same reporting date in the previous year. Customer deposits amounted to €113.9 billion as of June 30, 2010, following €106.4 billion as of the corresponding date in 2009. As expected, the strong growth in volumes seen in the second half of 2009 did not continue in the first half of 2010. Volumes in the customer lending business, which focuses on Germany, rose by 4.5% year on year to €109.0 billion. Our lending business revolves around private mortgage loans, where volumes as of June 30, 2010 were up €0.9 billion on the previous year's figure, at €73.7 billion. The securities business is experiencing a slight recovery, especially compared to the weak first three months of the previous year.

These trends in our customer business are also reflected in the performance of the individual operating earnings lines. Net interest income profited from the substantial expansion in volume – particularly in the deposit business – and the ongoing adjustment of the interest expense in line with interest rates, which fell considerably against the previous year, as well as from other positive effects of the steeper yield curve. Net fee and commission income was up slightly on the prior year's level, with structural declines in the revenues generated by the postal business being more than compensated for by net fee and commission income in the traditional banking business. Taken together, net trading income and net income from investment securities improved extremely clearly as against the previous year, which was still dominated by relatively strong negative effects from our risk portfolios. As we had forecast, the allowance for losses on loans and advances in the lending business rose in comparison to the figure for the prior-year period, reflecting the ongoing difficulties on the international real estate markets. However, due to the high proportion of highly collateralized German private mortgage loans, Postbank's addition to the allowance for losses on loans and advances remains below the average for European banks.

Unless otherwise stated, the following comments on individual income items represent a comparison with the restated figures for the first half of 2009 (see also Note 4) or, in the case of balance sheet disclosures, December 31, 2009.

At €671 million, net interest income in Q2 2010 remained almost unchanged as against the previous quarter's high level (€675 million); the figure for the first half of the year overall was up 11.6% on the prior-year amount, at €1,346 million, in excess of our expectations. This positive trend was due to good volume growth in our customer business and ongoing adjustments to interest expense in line with market levels. We also benefited from the steeper yield curve year-on-year, which provides scope to generate additional income due, for example, to the natural maturity structure of our customer business with its long-term assets and comparatively short-term liabilities. The ongoing pressure on demand deposit margins due to the overall low interest rate levels and the planned reduction in our investment securities portfolios had an offsetting effect.

We expect that this trend in net interest income will continue over the course of the year, albeit at a more moderate level.

Net trading income amounted to €–123 million as of June 30, 2010, following €–210 million in the prior-year period. The loss in Q2 2010 only amounted to €40 million, following a loss of €83 million in Q1 2010. Losses on the remeasurement of embedded derivatives contained in the structured credit substitution business recognized in net trading income totaled €120 million (H1 2009: losses of €314 million). €38 million of this figure is attributable to Q2 and €82 million to Q1 2010, of which €74 million was due to the default of U.S. insurance group Ambac.

Net income from investment securities amounted to €54 million as of June 30, 2010, up €172 million on the first half of 2009. The improvement is mainly due to the reduced impact of the financial market crisis. The results for the first half of the year contain impairment losses and disposal losses on our structured credit substitution business amounting to €47 million (of which €31 million is attributable to Q2 2010). The relevant loss for the first half of the previous year was €41 million. In the aggregate, impairment losses of €7 million were charged on other fixed-income securities and on retail funds and investments still held in our portfolio (previous year: loss of €76 million).

In addition, due to the improved conditions on the international financial markets and interest rate trends, we were able to generate limited gains on the sale of fixed-income securities holdings again.

All in all, the negative effects from the financial crisis on net trading income and net income from investment securities fell from €431 million in the first half of 2009 to €174 million in the first half of 2010.

Net fee and commission income in the first half of 2010 amounted to €659 million, up 1.5% or €10 million on the previous year's weak level. The segment continued to suffer from the negative effects of the structural decline in income from the sale of postal services and from the sale of new services at our branches. We more than offset this structural decline in the first half of 2010 with higher net fee and commission income from the banking business. The decline in net fee and commission income in Q2 2010 as against the high level in the first three months is mainly due to the fall in income from the insurance business and a reduction in the minimum incoming payment threshold for our free checking account in Q2 2010 aimed at expanding our product range to include another target group.

Consequently, total income rose by a considerable 26.8% and amounted to €1,936 million in the first half of 2010, after €1,527 million in the prior-year period.

The allowance for losses on loans and advances in the lending business as of June 30, 2010 was €315 million, up €87 million on the figure for the first half of 2009. The year-on-year rise is in line with our expectations and is due to the slowdown in the macroeconomic situation that occurred at the beginning of 2009 plus ongoing difficulties on the international real estate markets. Postbank is making allowance for this development by increasing additions to its allowance for losses on loans and advances. The annualized net addition ratio (based on the results for the first half of 2010) for the customer loan portfolio is 57 basis points, within the 50 to 60 basis point range we expect for the year as a whole. The increase in the allowance for losses on loans and advances as against the first quarter is mainly due to the recognition of higher specific valuation allowances on exposures at our London branch.

Administrative expenses rose by only €5 million or 0.4% as against the first half of 2009 to €1,408 million, reflecting our continuing strict cost management program – the focus of our Postbank4Future strategy program. Other administrative expenses, which fell from €632 million to €618 million, performed particularly well in comparison to the previous year. The slight rise in staff costs (from €703 million to €722 million) is mainly due to staff-related provisions of €21 million recognized in Q2 2010 as part of updates to the strategy program. These are designed to rapidly realize efficiency gains by reducing overhead and support functions. Adjusted for this non-recurring item, administrative costs in the first half of 2010 are down 1.1% on the comparable prior-year figure.

As in the previous year, administrative costs are expected to rise in the second half of 2010. It should also be noted that they will increase persistently by €60 million to €70 million per year as a result of the acquisition of 277 additional former Deutsche Post retail outlets, which took effect on July 1, 2010.

Net other income and expenses amounted to €12 million, following €4 million in the first half of the previous year.

Profit before tax amounted to €225 million in the first half of 2010, after a loss of €100 million in the prior-year period.

After adjustment for income taxes of €–71 million (previous year: €214 million) and minority interest, consolidated net profit amounted to €153 million, following €113 million in the previous year.

Earnings per share were €0.70 (previous year: €0.52). The return on equity before tax amounted to 8.3% as compared to –4.1% in the prior-year period. The cost/income ratio amounted to 72.7% (91.9% in H1 2009).

Segment Reporting

Postbank is currently engaged in a fundamental review of its segment reporting with the aim of further increasing transparency, particularly with regard to a more detailed breakdown of the results in the Others segment. The new segment reporting is due to be introduced in 2011.

The following comments relate to the restated figures for the first half of 2009 (see also Notes 1 and 4).

Retail Banking

Profit before tax in the Retail Banking segment improved distinctly in the first six months of 2010 as against the prior-year period, climbing 39.9% to €403 million. This was mainly due to the 10.2% rise in net interest income and a slight decrease in administrative costs.

The strong performance by net interest income in this segment was due in particular to the substantial volume expansion in the deposit business, the simultaneous adjustment in the interest expense for these positions in line with market levels, as well as the positive trend in the profitability of new lending. As a result, net interest income rose by 10.2% or €107 million to €1,160 million.

Net trading income – which is generated exclusively by BHW Bausparkasse AG, part of this segment – rose slightly by €5 million year-on-year to €–29 million. This is mainly due to an improvement in earnings resulting from remeasurements under the fair value option which we apply to interest rate risk hedges of our mortgage loan portfolio.

At €536 million, net fee and commission income in the first half of 2010 was largely constant as against the previous year (€538 million). At €262 million, the figure for Q2 2010 was down €12 million compared with the strong first quarter, due mainly to weaker net income from the insurance business. In addition, we reduced the minimum incoming payment threshold for our free checking account in order to expand the target group. This also adversely affected our net fee and commission income.

All in all, total segment income rose by €105 million or 6.7% to €1,663 million as of June 30, 2010.

Administrative expenses fell by €23 million to €1,092 million as a result of sustained strict cost discipline. This figure already contains non-recurring charges from staff-related provisions of €17 million. The allowance for losses on loans and advances increased slightly by €8 million to €168 million. The trend in the allowance for losses on loans and advances continues to profit from the comparatively high quality of loans in our extremely granular and highly collateralized private mortgage lending business.

Net other income and expenses amounted to €0 million, following €5 million in the previous year. In line with this, the cost/income ratio improved significantly in the first half of 2010 from 71.6% to 65.7%. The return on equity before taxes rose from 25.9% to 35.7%.

Corporate Banking

Profit before tax in the Corporate Banking segment also rose by a significant €105 million as against the first half of 2009 to €156 million. In addition to the positive trend in operating income, this was mainly due to the steady decline in the impact of the structured credit product portfolio that is partially allocated to this segment.

At €345 million, the segment's net interest income clearly exceeded the prior-year level (€257 million) due to the higher business volume and continuing strong margins. Another factor in this increase is the accrual of interest income on impaired assets (unwinding in accordance with IAS 39).

Taken together, net trading income and net income from investment securities climbed to €–9 million, a year-on-year improvement of €90 million. This reflects the significant decline in the impact of structured credit products. Taken individually, net income from investment securities amounted to €–5 million compared with €–16 million in the previous year, while net trading income improved by €79 million to €–4 million. The effects of our structured credit portfolio contained in the two items fell from €–99 million in the first half of 2009 to €–21 million. €+7 million of this figure relates to the second quarter of 2010. Value adjustments on other fixed-income securities in the Corporate Banking segment amounted to €+1 million in the first half of 2010, of which €–1 million relates to the second quarter of 2010 (H1 2009: €–13 million).

Net fee and commission income fell by €7 million year-on-year in the first half of 2010 to €50 million. In line with this, the segment's total income rose by €171 million to €386 million.

In the first half of 2010, the allowance for losses on loans and advances in the lending business increased by €83 million as against the first half of 2009 to €152 million, reflecting the ongoing difficulties on the international real estate markets. However, the situation is clearly normalizing in comparison to the Q4 2009 level, which saw an intensive review of our risk positions.

Higher allowances for losses on loans and advances were needed in the first and second quarters of 2010 in particular in commercial real estate finance at our London branch.

Administrative expenses fell by €11 million as against the first half of 2009 to €86 million, contributing to the positive trend in profit before tax.

The return on equity before taxes for the segment rose to 56.3% following 19.5% in the first half of 2009. The cost/income ratio halved to 22.3%.

Transaction Banking

Profit before tax in the Transaction Banking segment increased by €8 million year-on-year to €27 million. Net fee and commission income from this business division was largely stable at €172 million (previous year: €173 million). Administrative expenses fell noticeably by €7 million to €151 million. This figure contains non-recurring charges from staff-related provisions of €4 million recognized in Q2 2010. Net other income and expenses doubled, rising from €3 million to €6 million. The cost/income ratio in Transaction Banking improved slightly to 87.8%.

In this segment, we expect the integration of HSH Nordbank – a new customer acquired in 2009 – to generate positive momentum for net fee and commission income over time. At the same time, the integration within Commerzbank of the payment transactions that we previously handled for Dresdner Bank is expected to result in the loss of a customer relationship by 2011, which will probably lead to declining net fee and commission income in this segment overall. Steps to reduce the associated cost pool have already been taken.

Financial Markets

Profit before tax in the Financial Markets segment fell by €26 million year-on-year in the first half of 2010 to €64 million.

This fall is mainly the result of a €36 million decline in net interest income to €46 million. A decline in the contribution by our PBI Luxembourg subsidiary, which is partially allocated to the Financial Markets segment, was the main driver for this development. Due to the sharp drop in money market interest rates, this company generated a high level of net interest income in the first quarter of 2009 in particular that then returned to normal as of the second quarter of 2009.

Net trading income remained largely unchanged at €44 million (previous year: €46 million).

Net income from investment securities improved by €8 million to €–5 million owing to a decline in the negative effects of the financial market crisis. Net fee and commission income remained unchanged at €18 million.

The profit reported by the segment includes effects from our structured credit portfolio of €–4 million, of which €–5 million was incurred in the second quarter (first half of 2009: €–19 million). Of this figure, €–2 million (previous year: €–12 million) relates to net trading income, of which €–3 million was incurred in Q2, while €–2 million (previous year: €–7 million) relates to net income from investment securities, of which €–2 million was incurred in Q2.

Administrative expenses declined by €1 million to €44 million, bringing the cost/income ratio for the segment to 42.7% (previous year: 33.8%) as of June 30, 2010. The return on equity before tax fell from 26.0% to 15.6%.

Others

The loss in the Others segment as of June 30, 2010 narrowed by €123 million to €425 million following €548 million in the prior-year period. This segment contains items not directly attributable to the other business divisions, unallocated central function costs, and the result of Postbank's own-account transactions.

At €–207 million, net interest income for the segment was down €20 million on the prior-year level. The figure, which is negative for structural reasons, is due among other things to disposals of banking book and trading book assets, contributions from asset/liability management, and the transfer pricing system in place up to and including 2004, as well as to the acquisition of the BHW Group and Postbank Filialvertrieb AG in 2006.

Net trading income for the segment improved slightly to €–133 million after €–140 million in the prior-year period. Less severe losses on the remeasurement of embedded derivatives contained in structured credit products of €104 million (previous year: €204 million) had a positive effect. €42 million of this figure was realized in Q2 2010.

The segment's net income from investment securities rose by €158 million year-on-year to €68 million. The losses on structured credit product holdings of €38 million (of which €29 million is attributable to Q2 2010) included in this item widened by €5 million in comparison to the prior-year period. In addition, impairment losses of €5 million (previous year: €51 million) were realized on other debt instruments and retail funds, of which €3 million was incurred in Q2 2010. Proceeds from the sale of fixed-income securities holdings were also recognized in this segment.

Net fee and commission income for the segment rose by €29 million to €0 million. As a result, total income improved by €174 million to €–272 million.

Administrative expenses as of June 30, 2010 rose to €426 million following €385 million in the prior-year period. This rise is due, among other things, to increased staff costs as well as higher project costs in the cost centers. We anticipate that this figure will decline again to a certain extent over the course of 2010.

Moreover, administrative expenses in the Others segment include corporate function costs of €133 million (previous year: €114 million) that cannot be directly attributed to the operating segments. In addition, they comprise IT and other service expenses of €207 million (previous year: €212 million), some of which are allocated to the operating segments and credited to other income in the Others segment. Net other income and expenses fell by €10 million to €273 million.

Consolidation

This segment, which was introduced in the first half of 2009, encompasses the internal transactions between the Postbank Group's consolidated companies. It therefore generally reports a balanced result.

Key consolidation adjustments are made within net fee and commission income and primarily comprise adjustments to payments for the provision of payment services for Postbank that are recognized in income for the Transaction Banking segment. Consolidation adjustments in the first half of 2010 were €–117 million compared with €–108 million in the previous year.

Additionally, consolidation adjustments made within administrative expenses amounted to €391 million (previous year: €397 million). This is primarily attributable to the cost allocation of IT and Transaction Banking services provided within the Group. Net income and expenses (€–275 million after €–290 million in the previous year) primarily eliminates income from internally invoiced IT services which is reported as other income in the item of the same name in the Others segment.

Total Assets

Postbank's total assets amounted to €242 billion as of June 30, 2010, after €227 billion at the end of the last fiscal year and €239 billion as of March 31, 2010.

On the assets side, a significant reduction in investment securities in line with Postbank's strategy is matched by increases in loans and advances to other banks. In addition, the increase in total assets outside the customer business in the observation period is mainly due to technical effects arising from the pronounced decline in interest rates; this led to an increase in the positive fair values of derivatives held for trading on the assets side and a corresponding rise in the negative fair values of trading liabilities. Amounts due to customers continued to rise due to noticeably higher demand deposits in particular.

With respect to the individual items, loans and advances to customers, which also include securitized assets such as promissory note loans, increased by €1.2 billion as against the end of 2009 to €112.2 billion. Low-margin public-sector receivables fell by €0.2 billion to €1.4 billion.

Loans and advances to other banks increased by a good €10.5 billion compared to the figure at the end of 2009 to €25 billion, up approximately €2 billion on the figure as of March 31, 2010. This increase is due to the rise in short-term loans to other banks, most of which were collateralized using securities.

As planned under our Postbank4Future strategy program, holdings of investment securities were reduced substantially, particularly in Q2 2010; the volume totaled €62.9 billion as of June 30, 2010, down €9.5 billion as against the figure as of December 31, 2009. We mainly achieved this significant fall by allowing positions to expire without reinvestment, supplemented in some cases by their active reduction, which took advantage of the favorable conditions pertaining to Q2 2010.

Interest rates, which have fallen as against the end of 2009, led to a substantial rise in the positive fair values of trading book derivatives; as a result, trading assets on the reporting date totaled €32.8 billion, up €12.3 billion as against the figure for December 31, 2009. In contrast, the volume of our trading assets in securities remained largely unchanged at a very low level.

On the liabilities side, amounts due to customers increased by €2.7 billion as against the end of 2009 to €134.7 billion. This is due, among other things, to a rise in the volume of savings and home savings deposits, which together were up by €1.4 billion to €66.8 billion. The volume of demand deposits also increased, amounting to €36.9 billion following €33.6 billion at the end of 2009.

Debt securities in issue fell moderately to €16.2 billion (December 31, 2009: €16.7 billion). Deposits from other banks were also down slightly (€0.2 billion) on the figure for year-end 2009 to €39.1 billion as of June 30, 2010. This item mainly comprises liabilities from repo transactions with central banks.

In addition, trading liabilities increased by a similar amount as trading assets, rising by €13 billion to €35.5 billion.

Equity

Recognized capital rose to €5,465 million as of June 30, 2010, compared with €5,251 million at the end of 2009. This increase was mainly due to the consolidated net profit of €153 million and a €42 million improvement in the revaluation reserve to €–460 million.

The Tier 1 ratio (excluding market risk positions) was 7.9% as of June 30, 2010, following 7.6% at year-end 2009 and 8.0% as of June 30, 2009. Taking market risk positions into account, the Tier 1 ratio was 7.3%, following 6.6% as of December 31, 2009 and 6.9% as of June 30, 2009. The rise in the Tier 1 ratio including the market risk positions is mainly due to preprocessing to net out economically offsetting interest rate positions, which was implemented in the first quarter of 2010 to measure market risk positions more exactly.

Overall, the action taken by Postbank during the course of the financial market crisis to strengthen its capital position and improve its risk profile has played an important role in stabilizing and in fact slightly increasing the Tier 1 capital ratio.

Postbank will continue with its 2008 program to reduce capital market risk and portfolios. The Bank's holdings of investment securities as of June 30, 2010 are down almost 23% compared with at the start of the program on September 30, 2008. In addition, we are driving forward the implementation of advanced measurement models for risk-weighted assets and intend to use the profits we generate up to and including 2012 to strengthen our capital base. These measures should contribute significantly to further improving Postbank's Tier 1 capital ratio. The Bank is also closely tracking the discussions of and pronouncements concerning the enhancement of the regulatory framework so as to be able to take any measures necessary at an early stage.

Report on Post-Balance Sheet Date Events

Deutsche Postbank AG took part in the EU-wide 2010 stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS) in cooperation with the European Central Bank, Deutsche Bundesbank, and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – Federal Financial Supervisory Authority). The stress test was conducted using the scenarios, methodology, and key assumptions provided by CEBS. As a result of the shock assumed under the adverse scenario, the estimated consolidated Tier 1 capital ratio (including market risk) would change to 6.7% in 2011. An additional sovereign risk scenario would have a further impact of 0.1 percentage points on the estimated Tier 1 capital ratio, bringing it to 6.6% at the end of 2011, compared with the regulatory minimum of 4% and the test's minimum threshold of 6%. This means that Postbank passed the EU stress test.

Risk Report

Summary overview of risk exposure

Credit risk

The allowance for losses on loans and advances in Q2 2010 rose slightly as against the figure for the previous quarter, due primarily to the cautious assessment of recent information and ongoing reorganization measures in the commercial real estate finance area, especially in relation to the London branch. Postbank is expecting to see rating downgrades in corporate finance over the course of the year since the current valuation does not yet include its customers' annual results for 2009. However, the Bank has anticipated this trend as far as possible both in its portfolio review at the end of 2009, which has already been mentioned, and in its ongoing projections for the allowance for losses on loans and advances in the coming years. Overall, Postbank continues to expect that the allowance for losses on loans and advances will be within the planning range of 50 to 60 basis points envisaged for 2010 and that, in line with this, it will remain below 2009 levels. From a strategic perspective, portfolio management continues to take priority over the acquisition of new business. In particular, Postbank is applying especially conservative standards for new commercial real estate finance business in markets still characterized by risks.

The performance of the structured credit products portfolio (SCP portfolio) was dominated by the events at the monoliner Ambac, by sales in the second quarter, by stricter valuation parameters in selected cases, and by exchange rate effects. Basically speaking, however, remeasurement losses are tailing off significantly.

We currently see no acute default risks with regard to developments in the situation in Greece, Ireland, Portugal, Spain, and Italy, but are monitoring developments particularly closely.

Market risk

The average value at risk for Postbank's portfolios in the trading book and the banking book saw a sideways movement in the first half of 2010 and is continuing to trend downwards in a twelve-month comparison. This reflects both the overall downward trend in volatilities and the successive reduction in investment securities. However, the portfolios of European peripheral bonds are subject to higher market fluctuations given the current dramatic increase in volatility. These fluctuations have led to corresponding fluctuations in present value. In addition, the market liquidity of these securities has declined sharply recently. This means that the tradability of these portfolios is significantly limited at present.

Liquidity risk

Postbank's liquidity continues to be solid as a result of its relatively stable refinancing base consisting of customer deposits.

As a result of the impact of the financial market crisis on the Bank's earnings position and due to audits of its risk management organization and processes, Postbank has launched a comprehensive project to improve the effectiveness of its risk management organization and processes.

One focus of project work in 2010 is on enhancing credit processes, an activity that is flanked by investment in a substantially improved IT environment. Considerable progress was made on the (sub)projects in the second quarter of 2010 and the bulk of the work will have been completed by the end of the year.

No risks that could impair the Postbank Group's development or jeopardize its continued existence as a going concern have been identified among the risk types described.

The following sections describe in detail the Postbank Group's risk position and risk management with regard to developments in the second quarter of 2010, and the respective measures taken by the Company.

Organization of risk management

The Postbank Group has established a risk management organization as the basis for overall bank management from a risk and earnings perspective. The risk management system aims to accept normal banking risk within a defined framework strictly reflecting the Bank's risk-bearing capacity, so as to leverage the resulting opportunities for generating returns.

For a detailed description of our risk management organization, see the relevant section in the 2009 Annual Report. The organizational framework of risk management has not changed in principle as against the management report published in the 2009 Annual Report.

In addition, the focuses of the Postbank Group's risk management system mentioned in the Annual Report continue to apply. The methods, systems, and processes described here and in the 2009 Annual Report – in particular in view of the financial crisis – are subject to continuous review and enhancement in order to adequately reflect market, business, and regulatory requirements.

Risk types

The Postbank Group distinguishes between the following risk types:

- **Market risk**
  Potential financial losses triggered by changes in market prices (e.g., equity and commodity prices, foreign exchange rates) or changes in parameters that determine market prices (e.g., interest rates, spreads, and volatility).

- **Credit risk**
  Potential losses that may be caused by a deterioration in the creditworthiness of, or default by, a counterparty (e.g., as a result of insolvency).

- **Liquidity risk**
  Illiquidity risk is the risk of being unable to meet current or future payment obligations in the full amount due or as they fall due.

  Liquidity maturity transformation (LMT) risk describes the risk of increased refinancing costs due to a change in the Bank's refinancing curve.

- **Operational risk**
  The likelihood of losses that could be incurred as a result of inadequate or failed internal processes and systems, people, or external events. This also includes legal risk.

- **Investment risk**
  Potential losses due to fluctuations in the fair value of equity investments, to the extent that these are not already included in other types of risk.

- **Real estate risk**
  The risk of loss of rental income, writedowns to the going concern value, and losses on sales relating to properties owned by the Postbank Group.

- **Collective risk**
  Potential adverse effect of a divergence in the behavior of home savings customers from expectations. Collective risk arises in connection with the specific business risks relating to the home savings business of BHW Bausparkasse AG.

- **Business risk**
  Risk of a decline in earnings due to unexpected changes in business volumes and/or margins and corresponding costs. This concept also includes model risk, which arises from modeling customer products with non-deterministic capital and/or interest rate commitments (primarily savings and checking account products), as well as strategic and reputational risk.

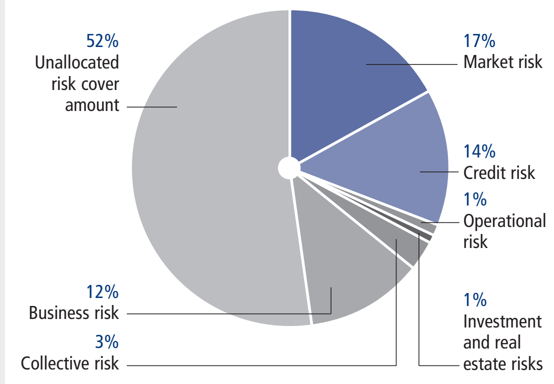
This risk report discusses in detail the market, credit, operational, and liquidity risks that are manageable in operational business. The deductions for the other types of risk (investment risk, real estate risk, collective risk, and business risk) were adjusted during the first quarter – especially due to the introduction of a scenario-based model for quantifying collective risk. The model developed in 2009 replaces the previous lump-sum risk buffer used for collective risk. Over and above this, there have been no significant changes in risk estimation compared with the situation presented in the 2009 Annual Report.

Risk capital and risk limitation

The Bank's risk-bearing capacity is assessed from the perspective of investor protection and also aims to ensure a defined Tier 1 ratio in accordance with the going concern concept.

The percentage allocation of the Postbank Group's „investor protection" risk cover amount by risk type after factoring in correlation effects is as follows for the second quarter of 2010 (calculated as of June 30, 2010):

Breakdown of the Postbank Group's risk cover amount by risk type (approved risk capital)

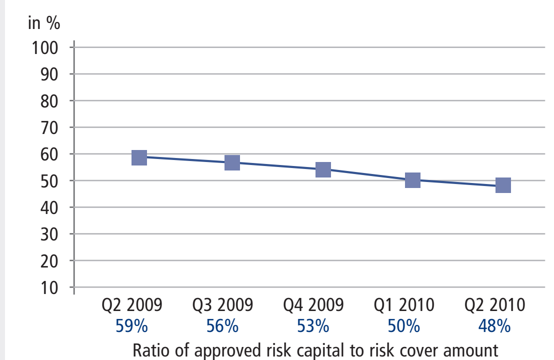


Risk capital is available for risk taking. Utilization is measured by establishing the value at risk, using a 99.93% confidence level and a holding period of generally one year.

The absolute amount of "investor protection" risk cover and an allocation of the absolute amount of risk capital by risk type at June 30, 2010 and the end of 2009 are given in Note 33 of this Interim Report.

Risk cover utilization measured in terms of the allocated risk capital amounted to 48% as of the reporting date. This represents a slight decline of two percentage points compared with March 31, 2010. The following graphic depicts the development of approved risk cover capital compared to the total risk cover amount.

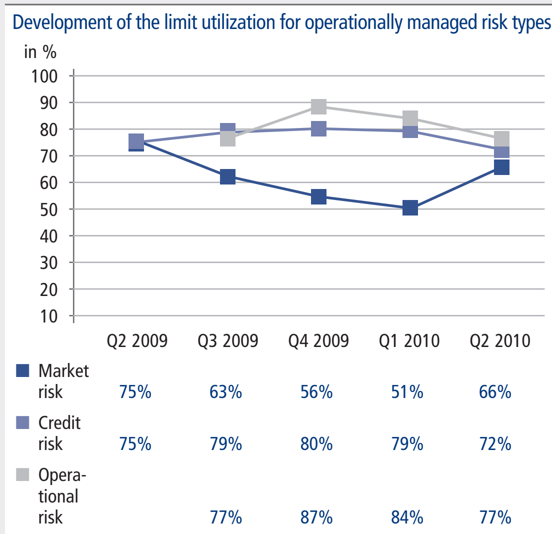
Development of the ratio of approved risk capital to risk cover amount



Operational limits are established for the market and credit risks backed by risk capital and directly manageable in the day-to-day business. Market risk is managed by allocating limits for the relevant portfolios. For loans to banks, corporates, and countries (central and regional governments and local authorities), credit risk is primarily managed by allocating limits at portfolio level and through definition of a target portfolio. The volume of retail business is controlled through target vs. actual comparisons. The utilization of the limits allocated for operational risk is based on the internal quantification model developed in 2009.

Despite the reduction in risk positions, utilization of the market risk limit rose to 66% as of the reporting date of June 30, 2010 due to the increase in market volatility (March 31, 2010: 51%). Credit risk limit utilization was 72% (March 31, 2010: 79%). Both figures are given after adjustment for losses reducing the unallocated risk cover amount. The VaR (confidence level: 99.93%) for operational risk at the level of the Bank as a whole, which was calculated on the basis of the internal quantification model, amounted to €462 million as of June 30, 2010. Utilization of the relevant limit amounted to 77% (March 31, 2010: 84%). The risk-bearing capacity of the Postbank Group was therefore assured at all times. The following graphic depicts limit utilization for operationally managed risks over time:

Development of the limit utilization for operationally managed risk types



	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Market risk	75%	63%	56%	51%	66%
Credit risk	75%	79%	80%	79%	72%
Operational risk		77%	87%	84%	77%

As of June 30, 2010, the ratio of risks to the risk cover amount used to safeguard the defined Tier 1 ratio was 20% (three-month horizon) and 45% (twelve-month horizon). The available risk cover amount is currently deemed to be sufficient for assuring the defined minimum Tier 1 ratio (green light).

Risk concentrations

For information on the projects designed to improve loan portfolio management that focus on managing risk concentrations, please see the relevant sections of the 2009 Annual Report. In the meantime, Postbank enhanced its credit risk strategy to include upper limits for individual loan decisions. Following their approval, the limits were incorporated in the relevant credit regulations. Postbank intends to introduce a new exposure system to provide technical support for ensuring compliance with these upper limits for the portfolio starting in October.

Current risk concentrations at a confidence level of 99.93% are particularly perceptible with respect to "A" rated banks as well as in the structured credit portfolio (SCPs).

Regulatory requirements

Since the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) entered into force on January 1, 2007, Postbank has calculated its capital on the basis of Basel II. Postbank is currently in the process of implementing the changeover to the Advanced IRB Approach for calculating the capital backing for counterparty credit risk using internal estimates of expected loss rates. The Bank plans to reach the entry threshold and therefore to reduce risk-weighted assets and to improve the capital ratio in 2011. The projects launched by Postbank to improve credit processes and methods are laying the necessary foundations. Ultimately, the supervisory authority must give its approval.

Postbank currently uses the regulatory standardized approach to calculate capital requirements for market risk. As part of its program to introduce advanced risk models, Postbank is also preparing to deploy the internal market risk model used to measure and manage market risk in order to determine the capital requirements for market risk in accordance with the SolvV.

To date, Postbank has used the standardized approach for calculating capital requirements for operational risk. As part of an on-site audit in connection with the approval of an Advanced Measurement Approach (AMA) in the second quarter of 2010, the supervisory authorities examined the suitability of the organizational structures and workflows for identifying, measuring, monitoring, reporting, and managing operational risk; the internal procedures for reviewing the risk measurement system; and the reliability and integrity of the relevant IT systems. Postbank has not yet received the report detailing the results of the audit.

With regard to the disclosure requirements pursuant to sections 319 to 337 of the SolvV in conjunction with section 26a of the *Kreditwesengesetz* (KWG – German Banking Act), Postbank will publish its Pillar III Disclosures in accordance with the SolvV/Basel II for the first half of the year on its website around the time of its financial statements for the first half of the year.

In respect of the additions to the Capital Requirements Directive (CRD) adopted by the European Parliament and the European Commission and the related published draft amendments to the KWG, SolvV, and the *Groß- und Millionenkreditverordnung* (GroMiKV – German Large Exposures Regulation), Postbank is currently implementing the new capital adequacy and large exposure requirements. In addition, Postbank actively took part in the consultation process for the consultation papers published by the Basel Committee that aim to strengthen regulatory requirements for capital and liquidity levels and in the Quantitative Impact Study.

Market risk

Market risk management

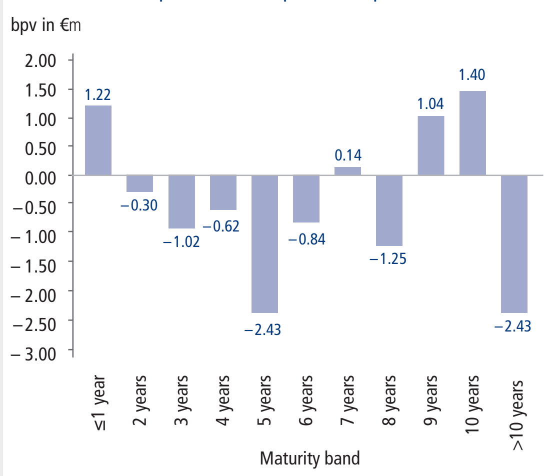
Postbank makes use of a combination of risk, earnings, and other inputs to manage its market risk. Changes in the value of market risk are derived from daily marking to market, independently of their measurement for financial accounting purposes. In the case of inactive market segments, a special process has been instituted to regularly review whether the market data available still permits adequate valuations to be made. As a result, specific portfolios are marked to model. The management of market risk exposures from an earnings perspective focuses both on specific periods and on the present value. All market risk is measured using value at risk. Risks from potential changes in spreads have been taken into account in risk measurement. Sensitivity indicators and maturity structures are other management indicators used.

In addition, market risk exposures are subjected to regular scenario analyses and stress tests, which analyze the impact of unusual market movements both on the present values and on the income statement and balance sheet items.

In light of the financial market crisis, Postbank started reducing its market risk exposure in 2008; this risk strategy was systematically maintained in the second quarter of 2010. While the equity holdings continue to be negligible, the Bank maintained the focus on the assets side that it adopted in the course of 2009 in the interest rates area. To reduce its exposure to extreme capital market volatility, Postbank is cutting its holdings of investment securities, primarily as a result of instruments maturing and sales, by up to 45% by 2013 (as compared with the September 30, 2008 reporting date).

Interest rate risk – a significant component of market risk – is the term used to denote the changes in the fair value of interest-sensitive financial instruments resulting from a change in market rates of interest. The following chart presents the Postbank Group's open interest rate positions as of June 30, 2010 in the form of a basis point value (bpv) graph. Positions with a negative value represent an asset-side interest rate risk, which means that there is a surplus of assets. In the same way, positive values indicate a surplus of liabilities. Postbank's overall interest rate position as of June 30, 2010 remains clearly aligned with its assets.

The Postbank Group's interest rate positions (bpv) as of June 30, 2010



The chart shows that the surplus of assets as of June 30, 2010 is primarily concentrated in the medium-term (5 years) and long-term (>10 years) maturity ranges. The surplus of liabilities in the 9- and 10-year band can be attributed essentially to the long-term positions in BHW Bausparkasse AG's home savings collective as determined by data derived from collective simulations. Interest sensitivity is mainly the result of euro exposures and, to a significantly smaller extent, of U.S. dollar exposures; interest sensitivities to other currencies are immaterial.

In particular, the risk sensitivity of the AfS positions was again managed extremely closely in order to limit the additional potential impact on the revaluation reserve and hence on the capital ratios. The steps for reducing interest sensitivity included the reduction of positions as well as hedging measures such as interest rate swaps and interest rate futures. Interest rate risk analysis is an integral part of daily market risk measurement and, as a result, also forms part of the VaR analyses for market risk (trading book and banking book).

Monitoring market risk

In the Postbank Group, market risk is monitored using a system of risk limits based on the value at risk methodology. The aggregate limits are allocated to the individual operating units as sublimits. End-of-day risk measurement and monitoring are used for the whole Bank; additional intraday monitoring is carried out for the trading portfolios. The aggregate limit is set by the Group Management Board and allocated by the Market Risk Committee to the individual operating units in the form of sublimits. These are dynamic outcome-based limits; any losses incurred reduce the limit, while gains replenish it, at a maximum, to the originally defined level. In the second quarter of 2010, declines in fair values that were due in particular to adverse changes in spreads in individual subportfolios led to limits being utilized. No limit exceedances were recorded.

For a detailed description of the methods used to compute VaR, see the section entitled "Monitoring and managing market risk" in the Risk Report of the 2009 Annual Report.

Stress testing

The scenario analyses performed in the second quarter of 2010 indicated that the Postbank Group's risk-bearing capacity would have been assured even if the market situation had deteriorated further. The greatest risks that emerge from the regularly performed internal stress tests for market risk continue to be those in connection with interest rates and spreads. In contrast, sensitivities to changes in equities, currencies and volatilities are significantly less severe. The stress parameters used are reviewed regularly for appropriateness.

Risk indicators

The following value at risk figures for the trading book were calculated for the Postbank Group in the second quarter of 2010 as well as in the previous quarter (confidence level of 99%, holding period of 10 days):

Value at risk, trading book	Q2 2010 €m	Q1 2010 €m
VaR at end of quarter	3.2	4.5
Minimum VaR	2.3	2.4
Maximum VaR	4.7	10.1
Average VaR	3.5	6.3

The following chart illustrates the development of value at risk for the trading book over a one-year period.

Value at risk trading book for the period from July 1, 2009 to June 30, 2010

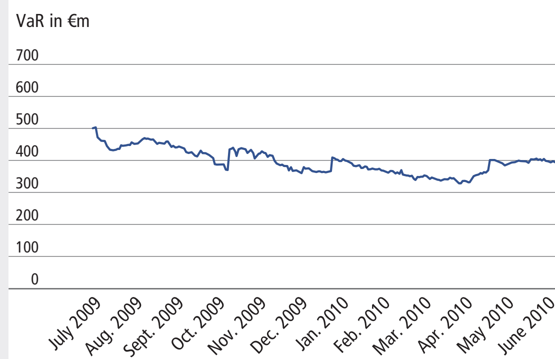
In the second quarter of 2010, the pronounced volatility in the trading book was used flexibly in positioning on the interest rate and equities markets. The VaR in the trading book declined overall in the past six months and, while fluctuating slightly, was significantly lower in the first six months of 2010 than in 2009.

The value at risk for the banking book (confidence level 99%, holding period 10 days), which accounts for by far the largest portion of market risk, amounted to €395 million as of June 30, 2010 (for comparative purposes: €339.4 million as of March 31, 2010).

Value at risk, banking book	Q2 2010 €m	Q1 2010 €m
VaR at end of quarter	395.0	339.4
Minimum VaR	331.2	339.4
Maximum VaR	406.2	410.2
Average VaR	377.2	370.2

The calculation incorporates all market risk-bearing positions in the banking book.

Value at risk banking book for the period from July 1, 2009 to June 30, 2010



VaR in Postbank's banking book saw a sideways movement in the second quarter of 2010 and is continuing to trend downwards in a twelve-month comparison following the clear rise experienced as a result of the crisis in 2008. The effect on risk measurement of the sharp increase in the volatility of the risk inputs used due to the financial market crisis is gradually diminishing in view of the one-year observation values applied. As a result, the VaR figures are falling to lower levels. The decrease in VaR also reflects the reduction in the Bank's investment securities portfolio.

Credit risk

The Postbank Group defines credit risk (or counterparty credit risk) as risk arising from potential loss that may be caused by changes in the creditworthiness of, or a default by, a counterparty (e.g., as a result of insolvency).

Managing and monitoring credit risk

Monitoring of credit risk at the level of the individual borrower/individual commitment is discussed in detail in the section of the Risk Report entitled "Risk management and control" in the 2009 Annual Report.

In addition to monitoring individual risks, the Postbank Group calculates the credit value at risk (CVaR) for all Group exposures subject to credit risk. The credit value at risk is the potential negative change in the present value of the total loan portfolio resulting from actual or potential credit risk losses that will not be exceeded within one year for a 99.93% probability. Under Postbank's Group-wide risk-bearing capacity concept, CVaR, as a measure of the unexpected loss from credit risk, must be backed by risk capital.

In contrast, the expected loss indicated in the "Credit risk" table is the expected amount of losses from credit risk in the Group portfolio, expressed in terms of the default amount expected within a one-year period. This is calculated approximately as the product of the default probability, the total size of the exposure, and the loss rate. It depends on the rating and the term of the counterparty or transaction. The expected loss does not contribute to the Bank's overall risk, but is factored into margin calculations via the standard risk costs.

For a detailed description of the methods used to compute CVaR, see the section entitled "Managing credit risk at portfolio level" in the Risk Report of the 2009 Annual Report.

The following table provides an overview of the key credit risk indicators for the various profit centers as of June 30, 2010 (calculated as of May 31, 2010) as compared to the end of 2009. The volume for the Group loan portfolio reported in this table differs from the "maximum counterparty credit risk" shown lower down in respect of two factors: Firstly, the date used for calculating CVaR is the last day of the preceding month and, secondly, carrying amounts or fair values, or credit equivalent amounts, are used to fully quantify the credit risk when calculating CVaR, depending on the item.

Credit risk	Volume		Expected loss		CVaR[1]	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Corporate Banking	29,959	28,422	115	127	249	228
Retail Banking	46,196	46,162	295	278	204	186
Financial Markets	137,343	141,800	473	440	1,555	1,755
Others (banks/local authorities)	3,923	4,530	5	3	122	101
BHW[2]	39,852	39,417	126	104	80	68
Total (incl. portfolio effect)	257,273	260,331	1,014	952	1,581	1,765

[1]Confidence level 99.93%; due to diversification effects, the CVaR in the Group loan portfolio is lower than the sum of the individual CVaRs for the business divisions

[2]The portfolio of trust activities of BHW Bausparkasse AG is shown only under Retail Banking (previously this item was also shown under BHW)

The overall portfolio fell by 1.2% in the first half of 2010 from €260.3 billion at the end of 2009 to €257.3 billion. Rating downgrades led to an increase in expected losses. The decline in unexpected losses is due to reduced risk concentrations in the Financial Markets segment. A high ratio of unexpected risks continues to be allocated to this segment due to the continuing large proportion of volumes from "A" rated banks.

As of June 30, 2010, the maximum exposure to credit risk was as follows (compared with December 31, 2009):

Maximum counterparty credit risk

Risk-bearing financial instruments	Maximum counterparty credit risk exposure	
	June 30, 2010 €m	Dec. 31, 2009 €m
Trading assets	32,784	20,471
Held for trading	32,784	20,471
Hedging derivatives	695	520
Held for trading	695	520
Loans and advances to other banks	24,943	14,467
Loans and receivables	24,943	14,467
Loans and advances to customers	112,181	111,043
Loans and receivables	103,596	102,408
Fair value option	8,585	8,635
Investment securities	62,907	72,359
Loans and receivables	53,455	59,401
Held to maturity	26	73
Available for sale	9,426	12,885
Subtotal	233,510	218,860
Contingent liabilities from guarantees	1,033	1,105
Other liabilities (irrevocable loan commitments)	21,484	21,964
Total	256,027	241,929

In contrast to the "Credit risk" table, the "Maximum counterparty credit risk" table breaks down the maximum exposure to credit risk in accordance with IFRS 7.36 (a) into categories of risk-bearing financial instruments. This figure is reported as a gross amount, since risk-bearing financial instruments are recognized and measured without accounting for credit risk mitigation techniques, recognized transactions are recorded at their carrying amounts, and the maximum counterparty credit risk exposures resulting from the utilization of irrevocable loan commitments or other off-balance sheet items correspond to all externally approved lines. This representation contains no information on ratings or collateral, in contrast to the economic risk quantification contained in the "Credit risk" table. In addition, reporting date variances exist between the two tables as of June 30, 2010.

Sector structure of the loan portfolio

The following table illustrates the risk concentrations by sector and borrower group, broken down into exposure classes.

Risk concentration by sector and borrower group

Risk-bearing financial instruments	Retail customers		Banks/ insurers/ financial services		Countries		Commercial real estate finance		Services/ wholesale and retail		Industry		Other sectors		Total	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Trading assets	211	212	31,623	19,666	289	105	132	95	331	103	101	14	97	276	32,784	20,471
Held for trading	211	212	31,623	19,666	289	105	132	95	331	103	101	14	97	276	32,784	20,471
Hedging derivatives	–	–	695	520	–	–	–	–	–	–	–	–	–	–	695	520
Held for trading	–	–	695	520	–	–	–	–	–	–	–	–	–	–	695	520
Loans and advances to other banks	1	–	24,157	14,332	241	103	540	32	2	–	–	–	2	–	24,943	14,467
Loans and Receivables	1	–	24,157	14,332	241	103	540	32	2	–	–	–	2	–	24,943	14,467
Loans and advances to customers	82,021	79,915	1,913	2,144	2,238	2,467	17,736	16,661	5,154	5,054	2,588	2,577	531	2,225	112,181	111,043
Loans and receivables	73,448	71,292	1,913	2,144	2,237	2,465	17,736	16,661	5,154	5,054	2,588	2,577	520	2,215	103,596	102,408
Fair value option	8,573	8,623	–	–	1	2	–	–	–	–	–	–	11	10	8,585	8,635
Investment securities	–	–	37,121	43,850	20,828	25,012	–	–	2,907	1,784	1,702	960	349	753	62,907	72,359
Loans and receivables	–	–	31,764	37,651	18,428	19,118	–	–	1,881	1,264	1,180	742	202	626	53,455	59,401
Held to maturity	–	–	26	73	–	–	–	–	–	–	–	–	–	–	26	73
Available for sale	–	–	5,331	6,126	2,400	5,894	–	–	1,026	520	522	218	147	127	9,426	12,885
Subtotal	82,233	80,127	95,509	80,512	23,596	27,687	18,408	16,788	8,394	6,941	4,391	3,551	979	3,254	233,510	218,860
Contingent liabilities	64	32	665	713	–	–	65	74	133	125	94	89	12	72	1,033	1,105
Other liabilities	16,220	16,729	197	447	65	111	1,102	1,287	2,361	1,872	1,330	1,226	209	292	21,484	21,964
Total	98,517	96,888	96,371	81,672	23,661	27,798	19,575	18,149	10,888	8,938	5,815	4,866	1,200	3,618	256,027	241,929

Overall, the sector distribution of the credit-risk bearing instruments, measured in terms of volume, has a balanced structure and continues to present a stable picture except for the aforementioned concentrations with respect to banks. The Group's loan portfolio consists mainly of loans to retail customers with a focus on domestic private mortgage lending. It also includes loan exposures in the Corporate Banking division, predominantly in the German business customers segment, and in domestic and international commercial real estate finance. The broadly diversified holdings of investment securities are dominated by a portfolio of mainly German and European government bonds as well as bonds issued by banks (including covered bonds and *Pfandbriefe*), insurers, and other financial service providers. The exposures to the countries of Greece, Ireland, Portugal, and Spain are also included in this portfolio in the amount of approximately €3.0 billion, while the exposure to the country of Italy is included in the amount of approximately €4.6 billion. A target portfolio has been defined as part of the credit risk strategy that has been optimized in terms of diversification and that serves to manage investments in the non-retail area.

Regional distribution of the loan portfolio

Risk concentration by geographic region								
Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Trading assets	8,551	5,507	15,930	9,766	8,303	5,198	32,784	20,471
Held for trading	8,551	5,507	15,930	9,766	8,303	5,198	32,784	20,471
Hedging derivatives	156	132	334	259	205	129	695	520
Held for trading	156	132	334	259	205	129	695	520
Loans and advances to other banks	16,657	6,842	7,177	6,572	1,109	1,053	24,943	14,467
Loans and receivables	16,657	6,842	7,177	6,572	1,109	1,053	24,943	14,467
Loans and advances to customers	93,472	93,194	13,484	13,412	5,225	4,437	112,181	111,043
Loans and receivables	84,921	84,597	13,455	13,383	5,220	4,428	103,596	102,408
Fair value option	8,551	8,597	29	29	5	9	8,585	8,635
Investment securities	19,172	26,561	35,244	37,915	8,491	7,883	62,907	72,359
Loans and receivables	15,741	19,595	30,373	33,206	7,341	6,600	53,455	59,401
Held to maturity	26	73	–	–	–	–	26	73
Available for sale	3,405	6,893	4,871	4,709	1,150	1,283	9,426	12,885
Subtotal	138,008	132,236	72,169	67,924	23,333	18,700	233,510	218,860
Contingent liabilities	781	831	203	216	49	58	1,033	1,105
Other liabilities	20,350	20,541	746	976	388	447	21,484	21,964
Total	159,139	153,608	73,118	69,116	23,770	19,205	256,027	241,929

The regional distribution of the credit volume again reveals a concentration on the domestic German market in line with Postbank's strategy, as well as selected exposures in Western Europe and in North America, some of which were entered into by our foreign subsidiaries and branches. These exposures relate primarily to commercial real estate finance with a total volume of €7.6 billion. Of this figure, some €3.8 billion is attributable to exposures in the United States and €3.8 billion to exposures in the United Kingdom.

Credit structure of the loan portfolio

The following table shows the credit quality of the risk-bearing financial instruments for Postbank's non-retail business that were neither past due nor for which impairment losses had been recognized as of the June 30, 2010 reporting date (with the exception of "contingent liabilities" and "other liabilities").

Postbank, in principle, uses the same rating for risk management as for capital requirements, which is normally an issuer's rating instead of the rating of a specific issue. Postbank is in possession of a large portfolio of *Pfandbriefe* and similarly collateralized issues that are relatively low risk in nature. It is for this reason that issue ratings are shown in the following table. The distribution of ratings in the Group loan portfolio is a reflection of the Postbank Group's conservative approach. The higher rating categories predominate: 94% of the rated portfolio is classified as investment grade (rated BBB or better).

Credit quality of financial instruments in the non-retail business that are neither past due nor impaired

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Not rated		Total	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Trading assets	168	213	6,537	1,454	24,977	17,782	389	253	295	146	199	411	32,565	20,259
Held for trading	168	213	6,537	1,454	24,977	17,782	389	253	295	146	199	411	32,565	20,259
Hedging derivatives	–	–	209	15	466	475	–	–	20	–	–	30	695	520
Held for trading	–	–	209	15	466	475	–	–	20	–	–	30	695	520
Loans and advances to other banks	5,420	546	1,479	424	11,572	9,869	6,073	3,124	199	128	112	229	24,855	14,320
Loans and receivables	5,420	546	1,479	424	11,572	9,869	6,073	3,124	199	128	112	229	24,855	14,320
Loans and advances to customers	3,760	4,020	5,054	5,509	4,604	4,872	6,876	7,781	4,832	4,648	2,363	3,049	27,489	29,879
Loans and receivables	3,760	4,020	5,054	5,509	4,604	4,872	6,876	7,781	4,831	4,646	2,353	3,039	27,478	29,867
Fair value option	–	–	–	–	–	–	–	–	1	2	10	10	11	12
Investment securities	21,882	27,633	18,461	19,914	12,024	16,459	5,418	3,033	3,933	3,627	669	1,183	62,387	71,849
Loans and receivables	19,168	21,300	17,257	18,752	10,542	14,619	3,576	2,239	2,317	1,389	170	669	53,030	58,968
Held to maturity	26	–	–	–	–	32	–	41	–	–	–	–	26	73
Available for sale	2,688	6,333	1,204	1,162	1,482	1,808	1,842	753	1,616	2,238	499	514	9,331	12,808
Total	31,230	32,412	31,740	27,316	53,643	49,457	18,756	14,191	9,279	8,549	3,343	4,902	147,991	136,827

Compared with year-end 2009, the table shows an increase in the AA and A rating categories as a result of the remeasurement of derivatives, forward and money market transactions. The increase in the AA rating category with respect to loans and advances to other banks is due to Deutsche Bundesbank's increased liquidity holdings while the decrease in the same rating category with respect to investment securities is primarily due to sales. The current rating distribution for loans and advances to other banks, corporates, and countries is within the target rating distribution category as specified in the credit risk strategy, and thus within the required range.

Similarly, the following table illustrates the credit quality of the risk-bearing financial instruments for Postbank's retail business that were neither past due nor for which impairment losses had been recognized as of the June 30, 2010 reporting date (with the exception of "contingent liabilities" and "other liabilities"). The credit quality of Postbank's retail business is good. Legacy retail business portfolios (mainly mortgage loans extended before August 2004) and purchased

loans and advances are reported using pool ratings. In other words, homogeneous risk pools are established by segment and measured individually according to the relevant Basel II parameters. The proportion of portfolios covered by these pool ratings is declining gradually since each new transaction is rated on an individual basis.

Credit quality of financial instruments in the retail business that are neither past due nor impaired

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Basel II Pool rating/ not rated		Total	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Trading assets	1	1	8	9	31	33	81	82	79	77	11	10	211	212
Held for trading	1	1	8	9	31	33	81	82	79	77	11	10	211	212
Loans and advances to customers	2,969	2,851	6,022	5,714	8,097	7,384	14,074	13,048	19,306	18,580	27,910	27,460	78,378	75,037
Loans and receivables	2,962	2,842	5,872	5,545	7,355	6,621	11,797	10,801	17,213	16,592	24,999	24,398	70,198	66,799
Fair value option	7	9	150	169	742	763	2,277	2,247	2,093	1,988	2,911	3,062	8,180	8,238
Total	2,970	2,852	6,030	5,723	8,128	7,417	14,155	13,130	19,385	18,657	27,921	27,470	78,589	75,249

Loans past due but not impaired

The following table shows those risk-bearing financial instruments that were past due but not impaired as of June 30, 2010. The increase in exposures that were up to three months past due is primarily the result of measures for improving the data quality in connection with the technical supply of a subportfolio.

Time bands for financial instruments past due but not impaired

Risk-bearing financial instruments and collateral	Financial instruments past due but not impaired: Past due ≤ 3 months		Past due > 3 months, ≤ 6 months		Past due > 6 months ≤ 1 year		Past due > 1 year		Total		Fair value of the collateral for financial instruments past due but not impaired	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Trading assets	3	–	1	–	2	–	2	–	8	–	–	–
Held for trading	3	–	1	–	2	–	2	–	8	–	–	–
Loans and advances to other banks	0	11	–	–	–	–	–	–	0	11	–	–
Loans and receivables	0	11	–	–	–	–	–	–	0	11	–	–
Loans and advances to customers	1,266	941	232	223	292	389	492	385	2,282	1,938	1,959	1,688
Loans and receivables	1,135	816	177	168	240	312	408	313	1,960	1,609	1,671	1,480
Fair value option	131	125	55	55	52	77	84	72	322	329	288	208
Total	1,269	952	233	223	294	389	494	385	2,290	1,949	1,959	1,688

The carrying amount of financial assets that would have been past due or impaired, and the conditions of which have been renegotiated (renegotiated volume), is €1,319 million (December 31, 2009: €972 million).

The following table shows all impaired financial assets as of June 30, 2010 and December 31, 2009, broken down into loans and advances to other banks as well as loans and advances to customers for which specific valuation allowances have been recognized and investment securities for which impairment losses have been recognized. The carrying amount after recognition of impairment losses is shown in the table as the difference between the carrying amount before impairment and the amount of the impairment loss.

Impaired financial instruments

Impaired risk-bearing financial instruments and collateral	Carrying amount before impairment		Amount of impairment loss		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Loans and advances to other banks	88	136	67	64	21	72	–	–
Loans and receivables	88	136	67	64	21	72	–	–
Loans and advances to customers	4,032	4,189	1,743	1,577	2,289	2,612	2,004	2,307
Loans and receivables	3,960	4,133	1,743	1,575	2,217	2,558	1,939	2,255
Fair value option	72	56	0	2	72	54	65	52
Investment securities	1,301	1,006	781	496	520	510	–	–
Loans and receivables	1,153	918	728	485	425	433	–	–
Available for sale	148	88	53	11	95	77	–	–
Total	5,421	5,331	2,591	2,137	2,830	3,194	2,004	2,307

In the first half of 2010, the Bank conducted an intensive risk-oriented review of all relevant exposures in order to determine the existence of any impairment triggers and carried out the necessary impairment tests, taking into account all information to hand at that date. The impairment tests of each exposure particularly included the effect of the persisting economic crisis on the probability of repayment and any likely recoveries.

Securitization positions

Securitizing financial assets (asset securitization) makes it possible to transfer the underlying credit risk to third parties. Usually, entire exposure pools consisting of two or more subclasses of risk (tranches) entailing varying degrees of risk are transferred.

Postbank acts as both investor and originator in asset securitization transactions.

Investor

In the course of credit substitution transactions, Postbank has invested in structured credit products (SCPs), among other things. Specifically, these relate to asset-backed securities (ABSs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), residential mortgage-backed securities (RMBSs), and commercial mortgage-backed securities (CMBSs). Investor positions in the banking book are classified and measured as one of the two IFRS categories "loans and receivables" or "available for sale", depending on the intention and structure of the investment. Securitization positions are generally rated by at least one recognized external credit assessment institution (Standard & Poor's, Moody's, or Fitch Ratings). Securitization positions normally have a rating of BBB- or higher as of their purchase date. There is no internal rating model for these positions. The portfolio is valued periodically using an internal valuation model that analyzes the individual portfolio components at underlying level.

As of June 30, 2010, the total volume of the portfolio amounted to €5.6 billion (December 31, 2009: €5.8 billion). The reduction in the size of the portfolio as against the December 31, 2009 level is primarily due to redemptions and the return of positions to the arranger. Increases in the portfolio to include individual asset or rating categories are exclusively attributable to exchange rate trends. The SCPs are very strictly monitored by Postbank and are subject to monthly impairment tests. Regular measurement of the portfolio using an in-house model resulted in the recognition of total impairment losses of €14 million in the first half of 2010, as well as remeasurement losses on embedded derivatives amounting to €120 million. This brings the aggregate impairment losses recognized in income for affected portfolios since the beginning of the financial market crisis in mid-2007 to €379 million, and the aggregate remeasurement losses recognized on embedded derivatives to €1,643 million. In addition, fair value changes amounting to €397 million were recognized in the revaluation reserve.

Postbank's securitization positions as of June 30, 2010 were as follows:

Securitization positions: volumes by rating category

Securitization positions	AAA		AA		A		BBB		< BBB		Total	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
CMBSs	21	47	80	84	84	104	49	19	32	27	266	281
RMBSs	276	310	141	159	105	138	39	39	58	42	619	687
Corporate CDOs	80	317	307	151	157	154	77	111	1,930	1,886	2,550	2,619
Non-corporate CDOs	–	–	19	95	61	74	161	111	1,274	1,351	1,515	1,630
Other ABSs	302	319	43	74	67	20	30	28	160	149	601	590
Total	679	993	590	562	474	490	355	308	3,454	3,455	5,551	5,809
thereof: in the trading book	15	17	10	9	–	–	–	–	12	10	36	36

The regional focuses for the securitization positions are as follows:

Securitization positions: volumes by regional focus

		CMBSs		RMBSs		Corporate CDOs		Non-corporate CDOs		Other ABSs[1]		Total	
		June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
in €m	Germany	81	83	146	150	–	–	–	–	42	55	269	288
	U.K.	100	96	111	126	37	31	–	–	91	85	339	338
	France	2	2	–	17	–	–	–	–	–	–	2	19
	Spain/Portugal	–	–	93	99	–	–	–	–	–	–	93	99
	Rest of Europe	81	94	216	247	448	450	205	229	20	24	970	1,045
	U.S.A.	1	5	49	44	570	491	1,003	969	337	304	1,960	1,814
	Others[2]	–	–	4	5	1,495	1,646	307	432	111	123	1,917	2,206
	Total	266	281	619	687	2,550	2,619	1,515	1,630	601	590	5,551	5,809
Relative distribution	Germany	31 %	30 %	24 %	22 %	–	–	–	–	7 %	9 %	5 %	5 %
	U.K.	38 %	34 %	18 %	18 %	1 %	1 %	–	–	15 %	14 %	6 %	6 %
	France	1 %	1 %	–	2 %	–	–	–	–	–	–	0 %	0 %
	Spain/Portugal	–	–	15 %	14 %	–	–	–	–	–	–	2 %	2 %
	Rest of Europe	30 %	34 %	35 %	36 %	18 %	17 %	14 %	14 %	3 %	4 %	17 %	18 %
	U.S.A.	0 %	2 %	8 %	6 %	22 %	19 %	66 %	59 %	56 %	51 %	35 %	31 %
	Others[2]	–	–	1 %	1 %	59 %	63 %	20 %	26 %	18 %	21 %	35 %	38 %
	Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

[1]Mainly Consumer ABSs und Commercial ABSs
[2]Or without a specific focus

As of the reporting date of June 30, 2010, only a small number of securitization positions (total nominal value: approximately €25 million) were hedged with monoliners (December 31, 2009: €28 million). In addition, the CDO portfolio includes a number of synthetic securitization structures with exposures to bond insurers.

The volume of Postbank's investor positions in fungible commercial real estate loans (CMBSs) amounted to €266 million as of the reporting date (December 31, 2009: €281 million). These positions consist almost exclusively of European CMBSs with a regional focus on the United Kingdom and Germany.

Originator

In addition to acting as an investor, Postbank also acts as an originator. The following synthetic securitization transactions involving the securitization of residential mortgage loans relating to Germany and Italy not only reduced regulatory capital requirements but also diversified risk. As of the reporting date, Postbank did not conduct securitization transactions relating to revolving counterparty credit risk.

PB Domicile 2006-1	€1,918 million	(Deutsche Postbank AG)
Provide Blue 2005-2	€1,997 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€989 million	(BHW Bausparkasse AG)

Postbank also structured the PB Consumer 2008-1 and PB Consumer 2009-1 originator securitization transactions as traditional securitization transactions, and the Provide Domicile 2009-1 originator securitization as a synthetic securitization; no significant transfer of risks has taken place so far. The Provide Blue 2005-1 originator securitization transaction was terminated in January 2010.

Liquidity risk

Liquidity risk management activities focus above all on ensuring solvency at all times, even in stress situations. To ensure this, the Bank's liquidity positions are subject to a series of stress tests at least once a month. The results of the stress tests show that the Postbank Group's liquidity position is adequate, despite the at times substantially tougher market conditions engendered by the financial market crisis. This is due not least to the further increase in customer deposits and the Bank's extensive portfolio of ECB-eligible securities.

The following table shows the financial liabilities as of June 30, 2010 and December 31, 2009, broken down into residual maturity bands. The undiscounted contractual cash flows from on- and off-balance sheet liabilities have been assigned to the respective categories. In conformity with these requirements, the contractual cash flows of the financial liabilities are presented in accordance with the worst-case scenario, meaning that if the financial liabilities involve options or termination rights that could affect their maturity date, the most unfavorable case from a liquidity perspective is assumed. This is particularly relevant for demand deposits and savings deposits that are subject to call or have a short maturity of usually three months but that are available for the Bank for a significantly longer period of time, statistically speaking.

Liabilities by remaining maturity

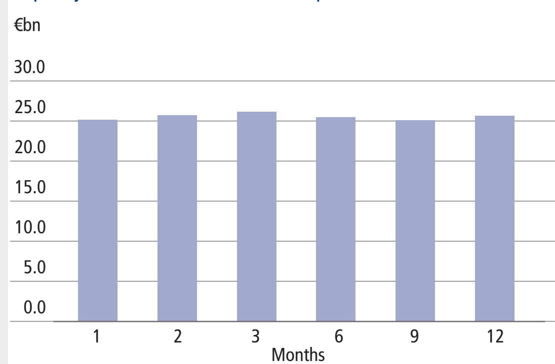
Liabilities	Payable on demand		≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Non-derivative liabilities	60,819	55,753	90,460	85,856	28,654	36,866	21,681	24,851	27,462	28,079	229,077	231,405
Deposits from other banks	387	312	24,119	19,995	4,678	12,338	5,502	4,913	4,990	5,271	39,675	42,829
Due to customers	37,915	33,474	59,987	60,046	20,181	19,496	6,614	10,589	17,270	16,196	141,968	139,802
Debt securities in issue	–	–	5,826	5,108	1,970	3,437	7,643	7,231	2,418	3,499	17,857	19,275
Subordinated debt	–	–	43	54	1,825	1,585	1,922	2,093	2,784	3,091	6,574	6,823
Other liabilities	–	2	486	653	0	9	0	24	0	22	486	711
Contingent liabilities and other obligations	22,517	21,965	–	–	–	–	–	–	–	–	22,517	21,965
Derivative liabilities	–	–	3,038	2,642	6,490	7,024	21,443	13,610	8,227	2,432	39,198	25,707
Hedging derivatives	–	–	96	216	303	516	1,101	1,557	872	681	2,373	2,969
Trading liabilities	–	–	2,942	2,426	6,187	6,507	20,341	12,053	7,355	1,752	36,825	22,738
Total	60,819	55,753	93,498	88,498	35,145	43,889	43,124	38,460	35,689	30,512	268,275	257,112

In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of the liquidity status of the Postbank Group as of June 30, 2010 presents the expected cash inflows/outflows and the liquidity sources available for the coming twelve months on a cumulative basis in accordance with the principles of internal liquidity management.

The expected values for cash outflows from liabilities with no fixed capital commitment, such as savings and checking account deposits, the probability of utilization of irrevocable loan commitments, and the quality of the fungible assets available for ensuring liquidity are based in part on observed historical data and in part on estimates that are validated regularly.

These data and estimates show that the Postbank Group has significant liquidity surpluses across all maturity bands, which underscores its adequate cash position.

Liquidity status of the Postbank Group as of June 30, 2010



Operational risk

Postbank defines operational risk in accordance with section 269 of the SolvV as the risk of loss resulting from inadequate or failed internal processes and systems, people, or external events. This definition also covers legal risk, but not reputational or strategic risks.

The economic capital requirements for operational risk both for the Bank as a whole and for the four business divisions individually have been determined using the internal capital model since July 2009. A scorecard is used to assess the quality of operational risk management in the business divisions so as to enable qualitative modifications to the capital amounts calculated for the business divisions; this also represents a material incentive to improve operational risk management.

To date, Postbank has used the standardized approach for calculating regulatory capital requirements for operational risk. Postbank's AMA implementation project, whose goal was to permit the application of an Advanced Measurement Approach (AMA), was completed on time. During an on-site audit performed in the second quarter of 2010 as part of the approval procedure, the supervisory authorities examined in depth the suitability of the capital model and the related methods and procedures, the reliability and integrity of the relevant IT systems, and the procedures for reviewing the risk measurement system. The report detailing the results of the audit has not yet been received.

Operational risk losses in the first half of 2010 amounted to approximately €31 million, a significant increase as against the prior-year period (€12 million). Only €5 million or so of this sum is due to large individual losses; the remainder is primarily the result of numerous cases of fraud by third parties in the Retail Banking division. The operational risk loss in the second quarter of 2010 amounted to €12.8 million (previous quarter: €18.4 million). The main loss driver for Postbank was external fraud.

One of the main ongoing focuses in the fight against fraud is to communicate all material cases of fraud in a timely manner throughout the Bank. Another focus is on raising the awareness of the employees involved in the relevant processes in order to ensure systematic and widespread early identification of cases of fraud. To complement this, a number of technical measures were initiated or have already been implemented that will lead to a successive improvement in the situation.

The VaR limit for operational risk at overall bank level was raised from €560 million to €600 million in the first half of 2010.

Report on Expected Developments

At the mid-point of 2010, the world's economy is experiencing an unexpectedly strong upswing. The IMF has increased its projection for global growth and now expects an increase of 4.6%. It is also forecasting a 9.0% increase in world trade. The recovery still relies to a significant extent on the support provided by extremely expansive monetary policies. Furthermore, the budget-consolidation efforts being undertaken by some countries could act as an economic drag. The simmering debt crisis in the euro zone poses risks as well. For this reason, economic momentum could ebb in the second half of 2010.

In the United States, the economic recovery is likely to continue as the year progresses. Companies are increasingly willing to make investments. Employment is apparently rebounding from its bottom. This, in turn, is fueling expectations that the moderate rise in private consumption spending will continue. The pace of growth may slow somewhat during the second half of the year compared with the first half. On balance, we expect GDP in the United States to rise a solid 2.8% in 2010. In China, economic growth will rapidly accelerate in 2010, possibly approaching the record levels of recent years (IMF forecast: +10.5%).

The Japanese economy should also profit from the global economic recovery as the year continues. Exports will probably increase at unusually high rates. We project that GDP will rise a strong 3.3%.

The euro-zone economy is expected to recover for the entire year of 2010. As a result of increasing global demand and the weak euro, exports will generate momentum. But structural weaknesses and fiscal consolidation efforts may slow the recovery in parts of the euro zone. For this reason, we expect rather modest growth in the euro zone of 1.2%.

The global recovery may act as a driving force of the German economy in 2010. Exports will probably climb steeply. Investments in machinery and equipment will rise moderately from their low level. Construction investments may continue to profit from government-funded infrastructure programs. On the other hand, no positive momentum is expected to be produced by private consumption. As a counter-reaction to last year's cash-for-clunkers program, sales of new cars are showing signs of a steep decrease. For this reason, private consumption may even fall. Nonetheless, we project that, with a gain of 1.9%, German GDP will significantly outgrow GDP of the euro zone as a whole. But growth produced in the second half of the year may not achieve the level generated in the first half of the year. The labor market should remain stable in the second half of the year. In 2010, we expect the average jobless rate to fall to 7.8% from 8.2% in the previous year.

The sovereign-debt crisis in the euro zone has delayed the planned phase-out of the ECB's unconventional monetary policy measures. Interest rates in the euro-zone money market may indeed rise slightly by the end of the year, but their increase will be slower than we projected at the time of our last report. We do not believe that the ECB will raise interest rates this year. Furthermore, we no longer expect the U.S. Federal Reserve to raise rates in 2010. As a result of the continued economic recovery that we foresee, capital-market interest rates should rise moderately as soon as worries about the servicing of sovereign debt in the euro zone ease. For this reason, the current yield low may be short lived. But we do not expect to see a fast, comprehensive solution to the debt crisis, meaning that capital-market interest rates should remain at a low level. We think the yield of 10-year German bunds will rise to around 3.0% by year's end. Because we expect short-term interest rates to rise somewhat less, we think the yield curve will slightly steepen through year's end.

On balance, we expect interest rates to be lower in 2010 than we projected at the time of our last report.

Sector situation

By the summer of 2010, the governments of the world's leading countries had still not agreed on the details of joint financial market regulation. Rather, some nations may decide to take matters into their own hands, a development that would result in inefficiencies and competitive distortion. Tougher requirements on the quality of equity and the introduction of a leverage ratio or a banking levy could have a major impact on German financial institutions. For 91 European banks – including 14 German institutions – July 2010 was a time of stress tests. These tests were designed to demonstrate the stability of the European banking system if a new crisis occurred. Of the German banks that underwent the test, only one – Hypo Real Estate – failed.

In operational terms, banks got off to a good start this year. They are profiting from the steepness of the yield curve and the good economic performance. No fundamental change in the yield curve should be expected through the end of the year, resulting in possible continued support for net interest income. Economic momentum may ease during the second half of the year, however. As a result, opportunities in the corporate and retail banking business may decrease somewhat. In an environment of moderate growth rates, default risks among retail and corporate customers continue to exist, meaning that additions to allowances for losses on loans and advances may only be lowered moderately at first by a majority of banks. Given the challenging capital-market environment and sluggish corporate bond issuance, investment banking and proprietary trading may not make any appreciable contribution to earnings at most German banks. In the meantime, some German banks have also written back impairment losses on asset positions recognized in the course of the global financial market crisis. For one thing, the risk that individual institutions could see additional writedowns of toxic securities continues to exist.

For another, the debt crisis of the euro zone creates another problem area. As a result, we expect to see only moderate growth in operating earnings at most German banks this year. Even in light of the potential regulatory steps being considered, banks will be unlikely to reach in the coming years the levels of earnings and revenues they achieved before the crisis. Pending regulatory steps could create a significant drag on the industry's recovery process in the next few years. A flattening of the yield curve could limit the previously mentioned opportunity to produce additional net interest income. A sudden withdrawal of the massive liquidity provided by central banks would trigger reactions on the money and capital markets, significantly raising the risk of setbacks in the spreads of banks, governments and companies. In addition, there is the possibility that

the financial market crisis could end in debt crises and/or high inflation rates in some countries. In this regard, the debt crisis in Greece poses significant risks for the banking sector. According to the Deutsche Bundesbank, German banks carried more than €31 billion in exposure to Greek debt at the end of 2009. A debt restructuring resulting in a partial loan loss could hurt income and equity in the banking sector. Our current forecast assumes that no significant setbacks or disruptions will occur.

In spite of a decision of the state legislature in Schleswig-Holstein, under which savings banks or similarly structured banks from other German states may hold only a stake of up to 25.1% in Schleswig-Holstein savings banks, the three-pillar structure of the German banking landscape is expected to remain in place over the mid-term. The decision primarily opens the way for investments within the public-banking sector. We hardly expect any cross-pillar mergers will be carried out. For the Landesbanks, signs point rather to mergers among individual banks than to investments and/or takeovers by private or cooperative banks.

Goals of Postbank

For 2010 and 2011, we continue to expect a modest recovery of the world economy. But the performance of the German economy is expected to be better than we previously thought. Conditions in the capital markets will most likely remain fragile. Given the possibility of an above-average number of company bankruptcies outside Germany and the continuing difficult conditions on the real estate markets, we still expect to see an increased need for allowances for losses on loans and advances throughout the banking sector. The following expectations for the possible direction of Postbank's business for the rest of this year and 2011 are based on the outlook we issued in our Annual Report 2009 and draw on a base scenario according to the economic projections we made in this report. The possible effects of potentially severe setbacks and disruptions in international capital and real estate markets presented above in the sector outlook section should also be considered.

Postbank has a solid business model, with a continuing good development in its operating earnings, its stable and sustainable revenue streams from its customer business as well as its good refinancing base. The concentration of the business model on retail, business and corporate customers that has been initiated will be systematically continued. In this effort, the "Postbank4Future" strategy program has generated valuable momentum toward improving the market position, particularly in Retail Banking. The Bank will maintain its strategy of lowering capital market risks and portfolios in the coming years.

Given the expected trends in the Bank's customer business and the external environment, we foresee a slight rise in the core operating earnings components of net interest income and net fee and commission income during the current fiscal year and 2011. Here, significant growth momentum will be generated by net interest income – just like in the first half of 2010 – while the net fee and commission income may experience a moderate decline and then move laterally as a result of structure-driven declines in revenues generated by the postal business in our branches and from external transaction banking for the entire year of 2010.

We will once again apply strict cost management, which we intend to further intensify as part of our strategy program "Postbank4Future". As announced in the strategy program, we will strive to reduce overall administrative costs by about 5 % by 2012 compared with 2008. It should be noted, however, that the acquisition of 277 retail outlets of Deutsche Post will result in a structural increase of administrative costs of about €60 million to €70 million annually. The aforementioned goal must be adjusted for these costs. In addition to this effect, we expect that the very good level of administrative costs achieved in the first half of 2010 will rise slightly in the remaining months of the year. The future direction of these costs will depend on the ongoing debate over the introduction of a banking levy, which could measurably increase the bank's administrative costs.

As noted in previous reports, trends in net trading income and net income from investment securities will be influenced to a large extent by developments in the money and capital markets as well as – based on the negative effects recorded in our structured loan portfolio – by the economic situation and by the number of business insolvencies. Should macroeconomic trends not deviate noticeably from expectations, the overall negative impact on net trading income and net income from investment securities should be less in 2010 and beyond than in the previous year. Even during an otherwise intact market situation, this trend could be upset by several factors, including defaults and downgrades of individual issuers with broad impact.

For the allowance for losses on loans and advances in the lending business, we foresee a level that continues to exceed that of pre-crisis years, particularly as a result of prolonged difficult business conditions in international real estate markets. In the area of commercial real estate lending, we expect measurable – albeit lower – negative effects in 2010 than in 2009 as a result of our macroeconomic projections. From today's perspective, the allowance for losses on loans and advances should remain at the same level in 2011.

On the basis of the previous expectations about the direction of individual earnings lines, we believe that the negative impact from the bank's risk positions may gradually fall in the current fiscal year and 2011 compared with the two previous years. The decrease has already contributed significantly to the satisfying earnings performance seen in the first half of 2010. Given the continued uncertainty on the international capital and real estate markets, the very good operating performance in terms of income in the first half of the year and the rise in administrative costs expected during the second half of the year, our current assessment is cautious. We do not assume that this level of results from the first half of the year can be maintained in the remaining quarters of this fiscal year. Unless additional disruptions on international capital markets occur, we should be able to achieve positive results for fiscal year 2010 due to the solid revenue streams from the customer business and systematic cost management.

At the moment, it is generally difficult for banks to make long-range forecasts about a sustainable return on equity as a result of the current uncertainties and the ongoing discussion about the future regulation of the banking market – including the introduction of a banking levy, deposit-protection reform and toughening capital requirements. In response to this situation, Postbank has decided not to announce a specific, sustainable mid-term return target until economic conditions have been clarified. We are determined to further expand the Bank's strong market position and we are confident that we will continue on a course of profitable growth even in a changed regulatory environment.

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Consolidated Statement of Comprehensive Income for the Period January 1 to June 30, 2010
Consolidated Income Statement

	Note	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009[1] €m
Interest income	(5)	3,533	4,218
Interest expense	(5)	−2,187	−3,012
Net interest income	(5)	1,346	1,206
Allowance for losses on loans and advances	(6)	−315	−228
Net interest income after allowance for losses on loans and advances		1,031	978
Fee and commission income	(7)	792	791
Fee and commission expense	(7)	−133	−142
Net fee and commission income	(7)	659	649
Net trading income	(8)	−123	−210
Net income from investment securities	(9)	54	−118
Administrative expenses	(10)	−1,408	−1,403
Other income	(11)	79	63
Other expenses	(12)	−67	−59
Profit/loss before tax		225	−100
Income tax		−71	214
Profit from ordinary activities after tax		154	114
Minority interest		−1	−1
Consolidated net profit		153	113
Basic earnings per share (€)[2]		0.70	0.52
Diluted earnings per share (€)[2]		0.70	0.52

[1] Prior-year figures restated (see Note 4)
[2] There were an average of 218.8 million shares outstanding in both reporting periods.

Condensed Statement of Comprehensive Income

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009[1] €m
Profit from ordinary activities after tax	154	114
Other comprehensive income after tax	61	−94
Change in revaluation reserve	64	−146
thereof remeasurement gains/losses	6	−203
thereof disposals and impairment	58	57
Change in currency translation reserve	19	1
Income tax relating to other comprehensive income	−22	51
Total comprehensive income for the period attributable to minority interest	−1	−1
Total comprehensive income	214	19

Income tax recognized directly in comprehensive income is attributable exclusively to the revaluation reserve.

Consolidated Income Statement: Quarterly Overview

	2010		2009[1]			
	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Interest income	1,735	1,798	1,868	1,901	2,009	2,209
Interest expense	–1,064	–1,123	–1,247	–1,323	–1,440	–1,572
Net interest income	671	675	621	578	569	637
Allowance for losses on loans and advances	–175	–140	–308	–142	–120	–108
Net interest income after allowance for losses on loans and advances	496	535	313	436	449	529
Fee and commission income	381	411	418	414	405	386
Fee and commission expense	–65	–68	–73	–70	–65	–77
Net fee and commission income	316	343	345	344	340	309
Net trading income	–40	–83	–149	–139	–103	–107
Net income from investment securities	26	28	–45	15	–14	–104
Administrative expenses	–716	–692	–765	–696	–719	–684
Other income	50	29	81	34	35	28
Other expenses	–38	–29	–49	–23	–17	–42
Profit/loss before tax	94	131	–269	–29	–29	–71
Income tax	–37	–34	170	91	44	170
Profit/loss from ordinary activities after tax	57	97	–99	62	15	99
Minority interest	0	–1	0	0	0	–1
Consolidated net profit/loss	57	96	–99	62	15	98

Condensed Statement of Comprehensive Income: Quarterly Overview

	2010		2009[1]			
	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Profit/loss from ordinary activities after tax	57	97	–99	62	15	99
Other comprehensive income after tax	–25	86	75	241	37	–131
Change in revaluation reserve	–51	115	108	343	49	–195
thereof remeasurement gains/losses	–103	109	–35	344	34	–237
thereof disposals and impairment	52	6	143	–1	15	42
Change in currency translation reserve	11	8	5	–6	–7	8
Income tax relating to other comprehensive income	15	–37	–38	–96	–5	56
Total comprehensive income for the period attributable to minority interest	0	–1	0	0	0	–1
Total comprehensive income	32	182	–24	303	52	–33

[1] Q1 to Q3 2009 restated (see Note 4)

Consolidated Balance Sheet as of June 30, 2010

Assets	Note	June 30, 2010 €m	Dec. 31, 2009 €m
Cash reserve		4,893	4,534
Loans and advances to other banks	(13)	24,943	14,467
Loans and advances to customers	(14)	112,181	111,043
Allowance for losses on loans and advances	(16)	–1,810	–1,641
Trading assets	(17)	32,784	20,471
Hedging derivatives		695	520
Investment securities	(18)	62,907	72,359
Intangible assets	(19)	2,352	2,368
Property and equipment	(20)	816	838
Investment property		73	73
Current tax assets		422	280
Deferred tax assets		586	552
Other assets	(21)	833	745
Total assets		241,675	226,609

Equity and Liabilities	Note	June 30, 2010 €m	Dec. 31, 2009 €m
Deposits from other banks	(22)	39,144	39,318
Due to customers	(23)	134,711	131,988
Debt securities in issue	(24)	16,218	16,722
Trading liabilities	(25)	35,476	22,434
Hedging derivatives		1,869	2,051
Provisions	(26)	2,229	2,148
Current tax liabilities		120	174
Deferred tax liabilities		350	305
Other liabilities	(27)	486	711
Subordinated debt	(28)	5,607	5,507
Equity		5,465	5,251
a) Issued capital		547	547
b) Share premium		2,010	2,010
c) Retained earnings		2,751	2,614
d) Consolidated net profit		153	76
Minority interest		4	4
Total equity and liabilities		241,675	226,609

Statement of Changes in Equity

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consoli-dated net profit/loss €m	Equity before minority interest €m	Minority interest €m	Total €m
Balance at Jan. 1, 2009	547	2,010	4,153	–151	–724	–886	4,949	3	4,952
Changes in retained earnings			–886			886	0		0
Total comprehensive income Jan. 1 – June 30, 2009				1	–95	70	–24	1	–23
IAS restatement						43	43		43
Treasury shares							–		–
Other changes							–	–1	–1
Balance at June 30, 2009	547	2,010	3,267	–150	–819	113	4,968	3	4,971
Dividend payment							–		–
Total comprehensive income July 1 – Dec. 31, 2009				–2	317	–57	258		258
IAS restatement				1		20	21		21
Treasury shares							–		–
Other changes							–	1	1
Balance at Dec. 31, 2009	547	2,010	3,267	–151	–502	76	5,247	4	5,251
Dividend payment							–		–
Changes in retained earnings			76			–76	0		0
Total comprehensive income Jan. 1 – June 30, 2010				19	42	153	214	1	215
Treasury shares							–		–
Other changes							–	–1	–1
Balance at June 30, 2010	547	2,010	3,343	–132	–460	153	5,461	4	5,465

Condensed Cash Flow Statement

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Cash and cash equivalents at start of period	4,534	3,417
Net cash used in operating activities	−9,786	−3,028
Net cash from investing activities	10,176	2,609
Net cash used in financing activities	−32	−233
Effects of exchange rate differences	1	–
Cash and cash equivalents at end of period	4,893	2,765

Reported cash and cash equivalents correspond to the cash reserve.

Notes to the Interim Financial Statements

(1) Segment reporting

Segment reporting by business division

	Retail Banking[1]		Corporate Banking[1]		Transaction Banking[1]		Financial Markets		Others[1]		Consolidation[1]		Group[1]	
	Jan.1 – June 30, 2010 €m	Jan.1 – June 30, 2009 €m	Jan.1 – June 30, 2010 €m	Jan.1 – June 30, 2009 €m	Jan.1 – June 30, 2010 €m	Jan.1 – June 30, 2009 €m	Jan.1 – June 30, 2010 €m	Jan.1 – June 30, 2009 €m	Jan.1 – June 30, 2010 €m	Jan.1 – June 30, 2009 €m	Jan.1 – June 30, 2010 €m	Jan.1 – June 30, 2009 €m	Jan.1 – June 30, 2010 €m	Jan.1 – June 30, 2009 €m
Net interest income	1,160	1,053	345	257	–	1	46	82	–207	–187	2	–	1,346	1,206
Net trading income	–29	–34	–4	–83	–	–	44	46	–133	–140	–1	1	–123	–210
Net income from investment securities	–4	1	–5	–16	–	–	–5	–13	68	–90	–	–	54	–118
Net fee and commission income	536	538	50	57	172	173	18	18	–	–29	–117	–108	659	649
Total income	1,663	1,558	386	215	172	174	103	133	–272	–446	–116	–107	1,936	1,527
Administrative expenses	–1,092	–1,115	–86	–97	–151	–158	–44	–45	–426	–385	391	397	–1,408	–1,403
Allowance for losses on loans and advances	–168	–160	–152	–69	–	–	5	1	–	–	–	–	–315	–228
Other income/expenses	–	5	8	2	6	3	–	1	273	283	–275	–290	12	4
Profit/loss before tax	403	288	156	51	27	19	64	90	–425	–548	0	0	225	–100
Revenues from external customers	1,661	1,550	384	214	72	76	102	132	–272	–440				
Intersegmental revenues	2	8	2	1	100	98	1	1	0	–6				
Depreciation and amortization	–9	–10	–1	–1	–3	–2	–1	–1	–54	–55				
Impairment losses	–9	–10	–1	–1	–3	–2	–1	–1	–54	–55				
Reversal of impairment losses	0	0	0	0	0	0	0	0	0	0				
Cost/income ratio (CIR)	65.7%	71.6%	22.3%	45.1%	87.8%	90.8%	42.7%	33.8%	–	–			72.7%	91.9%
Return on equity before taxes (RoE)	35.7%	25.9%	56.3%	19.5%	–	–	15.6%	26.0%	–47.6%	–73.1%			8.3%	–4.1%
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Segment assets	90,218	89,882	35,489	34,679	425	399	44,170	30,710	101,180	101,506	–29,807	–30,567	241,675	226,609
Segment liabilities	119,886	119,754	33,133	29,684	425	399	41,898	28,379	76,140	78,960	–29,807	–30,567	241,675	226,609

The Postbank Group manages its activities on the basis of a management information system whose core component is management accounting by business division. The business divisions correspond to the Group's organizational structure.

In the Retail Banking business division, Postbank offers private and business customers a broad spectrum of banking and financial services. The product range encompasses checking and savings products, credit and debit cards, mortgage lending, installment credits, the home savings business, securities and securities accounts, and investment funds. Income from brokerage activities is also reported in this segment.

[1] Prior-year figures restated

The result of this segment comprises the operating results of Deutsche Postbank AG's Retail Banking, the BHW subgroup, Postbank Filialvertrieb AG, and VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH. In addition, the result of purchase price allocation from the acquisition of BHW has been allocated to the Retail Banking segment.

Postbank's Corporate Banking business division provides payment transaction services. Commercial finance, especially regarding real estate, constitutes the second important pillar of the corporate banking business in national and international terms.

Factoring, leasing, and logistics finance also belong to this business division.

The result of this segment comprises the corporate banking business at Deutsche Postbank AG, PB Firmenkunden AG, PB Capital Corp., Postbank Leasing GmbH, PB Factoring GmbH, the London branch, and Deutsche Postbank International S.A.

The Transaction Banking business division offers organizational and technical settlement and processing services for the Group as well as for other banks in the area of domestic and cross-border payment transaction services.

Proprietary trading activities and Deutsche Postbank International S.A.'s activities conducted from Luxembourg (excluding corporate banking) as well as fund management in general and for a number of Postbank's retail funds and special funds (Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH (PPI) and Deutsche Postbank Financial Services GmbH) are allocated to the Financial Markets business division.

The Consolidation segment comprises Group consolidation less intra-segment consolidation adjustments.

The Others segment contains items not attributable to the businesses, unallocated overhead costs, and the result of Postbank's own-account transactions. The net interest expense is due among other things to disposals of banking and trading book assets, asset/liability management, the transfer pricing system in place up to and including 2004, and the acquisition of the BHW Group and Filialvertrieb. The following table contains other key earnings components for this segment.

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009[1] €m
Net trading income	–133	–140
of which:		
Net loss on embedded derivatives from structured credit products	–104	–204
Net gain/loss on capital-guaranteed promissory note loans (CPPI structures)	–24	16
Asset/liability management	5	87
Other items	–10	–39
Net income from investment securities	68	–90
of which:		
Net loss on structured credit products	–38	–33
Other debt instruments	–3	–22
Writedowns of retail funds	–2	–29
Other items	111	–6
Administrative expenses	–426	–385
of which:		
Cost of central services	–133	–114
IT and other services	–207	–212
Other items	–86	–59
Other income/expenses	273	283
of which:		
IT and other services	194	214
Other items	79	69

[1] Prior-year figures restated

In addition to the results in the income statement of the business units allocated to the business divisions, imputation procedures are applied to ensure correct allocation of the segment results. In accordance with IFRS 8.23, we report net interest income (net interest revenue) instead of interest income and interest expense. The allocation of net interest income from customer products to the segments uses the market rate method, under which the customer interest rate is compared with imputed money and capital market rates for matching terms. The administrative expenses of the Deutsche Postbank AG units included in the segment results are primarily based on the results of cost center accounting. Income taxes are not calculated on segment level.

Reversals of impairment losses and impairment losses relate to intangible assets and property and equipment. Both amortization/depreciation and impairments are taken into account.

Equity is allocated to the segments according to their risk capital requirements. Risk capital requirements are derived from Postbank's risk cover amount and define the extent of the permitted exposures to market risk, credit risk, operational risk, business risk, investment and real estate risk, and collective risk. The average IFRS equity is allocated to the segments according to their respective responsibility for the risk capital positions within the individual risk types.

Since the settlement of payment transactions is not banking business in the traditional sense, we do not report the return on equity in our Transaction Banking business division.

The allocation of assets and liabilities to the segments is based on the segments' operating activities. The balance sheet items of the subsidiaries as well as the assets and liabilities relating to customer products are allocated to the business divisions by product/customer category. The imputed measurement rates used in the market rate method do not result in any additional imputed asset positions. As a result, the volumes of assets and liabilities recognized in the segments do not match. The Others segment comprises assets and liabilities from subsidiaries which have not been allocated to the operating segments and from Deutsche Postbank AG, e.g., from own-account transactions. Since the liabilities are also reconciled to the amounts reported in the consolidated financial statements, the liabilities of the Others segment also comprise those equity components that are not allocated to the legal entities of the other segments.

The changes resulting from the shift in timing of the allowance for losses on loans and advances impact the net interest income and allowance for losses on loans and advances items of the Corporate Banking segment in the income statement (see Note 4). The changes in the allocation of fee and commission income from other income to net fee and commission income have an effect in the Transaction Banking segment (see Note 4). Within segment reporting the contributions made to the deposit protection fund have been allocated to the Retail Banking or Corporate Banking segments instead of the Others segment since the first quarter of 2010. This reduced administrative expenses allocated to the Others segment by €28 million in the first half of 2009, while the administrative expenses in the Retail Banking segment increased by €26 million and in the Corporate Banking segment by €2 million respectively. In addition, the presentation of the transactions relating to the fair value option in the Others segment

and in the Consolidation column were changed in accordance with the principle of substance over form. For the first half of 2009 net interest income in the Others segment increased by €26 million and net trading income was reduced by the same amount. In the Consolidation column net interest income was reduced by €26 million, while net trading income increased by €26 million.

In 2009, including the retrospective restatement of the allowance for losses on loans and advances, the above-mentioned adjustments to segment reporting resulted in the following changes to profit before tax: Retail Banking: €–26 million, Corporate Banking: €58 million, Others: €28 million

Company level disclosures

The following table contains information about income per product or service:

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009[1] €m
Deposits and loans for Retail and Corporate Banking customers	1,554	1,313
Payment transaction services for Retail and Corporate Banking customers	194	206
Retail and Corporate Banking fee and commission income	279	268
Transaction Banking insourcing (net fee and commission income)	72	76
Others	–163	–336
Total	1,936	1,527

The total comprises the Postbank Group's net interest income, net fee and commission income, net trading income, and net income from investment securities. Net interest income and net fee and commission income of the subsidiaries attributable to the Corporate Banking segment are reported under the Deposits and loans for Retail and Corporate Banking customers item. The Others item also includes the Group's net trading income and net income from investment securities, and as a result also the significant effects from the financial markets crisis.

The results of the geographical areas are calculated using the profit and loss as reported in the income statement of the legal entities and branches attributable to the areas.

The Others segment contains the entities from the Europe, U.S.A. (PB Capital), and Asia (Postbank Home Finance) areas. The London branch, the Luxembourg entities Deutsche Postbank International S.A. and Deutsche Postbank Vermögensmanagement S.A., and the branches of BHW in Italy, Luxembourg, and Belgium form part of the Europe area. The prior-year figures were adjusted in particular to account for the shift in the timing of the allowance for losses on loans and advances.

Germany comprises all domestic business units including all consolidation adjustments.

The areas' assets and liabilities are reconciled in full to total assets and total equity and liabilities. The prior-year figures have been adjusted accordingly.

	Assets		Liabilities		Income[1]		Profit before tax[1]	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Germany	202,805	189,399	202,805	189,399	1,718	1,412	118	–151
Others	38,870	37,210	38,870	37,210	218	115	107	51
Europe	29,179	29,077	29,179	29,077	146	151	42	112
U.S.A.	8,834	7,483	8,834	7,483	59	–47	56	–67
Asia	857	650	857	650	13	11	9	6
Total	241,675	226,609	241,675	226,609	1,936	1,527	225	–100

[1] Prior-year figures restated

Noncurrent assets comprise intangible assets, property and equipment, and investment property.

	Noncurrent assets	
	June 30, 2010 €m	Dec. 31, 2009 €m
Germany	3,231	3,269
Others	10	10
Europe	5	6
U.S.A.	3	3
Asia	2	1
Total	3,241	3,279

Basis of preparation

(2) Basis of accounting

The interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements of German commercial law under section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code), insofar as these were applicable at the balance sheet date. In particular, the interim financial statements comply with the IAS 34 requirements for interim financial reports. In accordance with section 37w of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) in conjunction with section 37y no. 2 of the WpHG, Postbank prepares a half-yearly financial report, which also comprises an interim management report, including an interim risk report (see management report), in addition to the condensed financial statements presented here. Unless otherwise stated below, the same accounting policies used in preparing the 2009 consolidated financial statements were applied in preparing the interim financial statements for the period ended June 30, 2010.

All assumptions, estimates, and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective standards, are regularly reassessed, and are based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances. The assumptions and estimates refer primarily to the fair value measurement of certain financial instruments, including the assessment of whether an active or inactive market exists, the recognition and measurement of provisions, and the ability to realize future tax benefits. When determining the intention to hold financial instruments, business strategy and current market conditions are also taken into account.

Where significant estimates were required, the assumptions made are explained in detail in the following Notes to the corresponding item. In individual cases, the actual values may differ from the assumptions and estimates made.

Postbank observed an increase in transaction volumes on the primary and secondary markets for European government bonds, *Pfandbriefe*, and bank and corporate bonds in the second half of 2009. As a result, it determined that an active market existed when valuing the relevant holdings. For this reason, the fair values for these securities holdings have not been determined using a valuation model since the second half of 2009, but rather on the basis of observable market parameters.

At present, no verifiable indicative prices are available for selected financial instruments (structured credit products – SCPs) such as CDOs, consumer ABSs, commercial ABSs, CMBSs, and RMBSs. Internal valuation techniques are therefore used to determine the fair value of these financial instruments. The model used by Postbank is a simulation model that calculates portfolio loss distribution on the basis of the individual securitization structures. The cash flows resulting from such products are forecasted taking into account the relevant risks from the securitized portfolios and the structure of the securitizations, and are discounted using discount rates for equivalent maturities and risks. The valuation technique makes maximum use of market inputs in accordance with IAS 39.48A. In individual cases, the actual values may differ from the assumptions and estimates made.

Derivatives used for asset/liability management are entered into primarily as microhedges (fair value hedges). If there are no effective microhedges, the changes in value of the derivatives used for asset/liability management are reported in net trading income in accordance with IFRSs, regardless of whether risk management was successful or not from an economic perspective. New swaps taking the form of microhedges (microswaps) are entered into and existing hedges are unwound and settled as part of active management of the fixed-rate position in the overall bank balance sheet (asset/liability management). The review of the fixed-rate position and the decision to enter into or unwind and settle microhedges are based on economic factors. The unwinding of microswaps is accounted for in the balance sheet and in net profit or loss for the period in the same way as for ineffective hedges. Effectiveness tests – and hence measurement in profit or loss – are performed at the end of the month.

The following standards were required to be applied for the first time in the reporting period: IFRS 3 (rev. 2008) "Business Combinations," IAS 27 (amended 2008) "Consolidated and Separate Financial Statements," IAS 39 (amended 2008) "Eligible Hedged Items Amendment to IAS 39 Financial Instruments: Recognition and Measurement," and the "Annual Improvements Project 2009." These amendments and revisions had no significant effects on Postbank's financial reporting.

(3) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 48 (December 31, 2009: 49) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of June 30, 2010.

Consolidated companies

Name and domicile	Equity interest direct (%)	Equity interest indirect (%)
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	
BHW Holding AG, Berlin/Hamelin	100.0	
Deutsche Postbank Financial Services GmbH, Frankfurt am Main	100.0	
Deutsche Postbank Funding LLC I, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust I, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust II, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust III, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	
DSL Holding AG i.A., Bonn	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	
PB (USA) Holdings Inc., Wilmington, Delaware, U.S.A.	100.0	
PB Factoring GmbH, Bonn	100.0	
PB Firmenkunden AG, Bonn	100.0	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main	100.0	
Postbank Beteiligungen GmbH, Bonn	100.0	
Postbank Direkt GmbH, Bonn	100.0	
Postbank Filialvertrieb AG, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	
Postbank Leasing GmbH, Bonn	100.0	
Postbank Systems AG, Bonn	100.0	
Betriebs-Center für Banken Processing GmbH, Frankfurt am Main		100.0
BHW Bausparkasse AG, Hamelin		100.0
BHW Gesellschaft für Vorsorge mbH, Hamelin		100.0
BHW Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hamelin		100.0
BHW Gesellschaft für Wohnungswirtschaft mbH, Hamelin		100.0
BHW Immobilien GmbH, Hamelin		100.0
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		100.0
Deutsche Postbank Home Finance Ltd., Gurgaon, India		100.0
Deutsche Postbank Vermögens-Management S.A., Munsbach, Luxembourg		100.0
Miami MEI LLC, Dover, Delaware, U.S.A.		100.0
PB Capital Corp., Wilmington, Delaware, U.S.A.		100.0
PBC Carnegie LLC, Wilmington, Delaware, U.S.A.		100.0
PB Finance (Delaware), Inc., Wilmington, Delaware, U.S.A.		100.0
PB Hollywood I Hollywood Station LLC, Dover, Delaware, U.S.A.		100.0
PB Hollywood II Lofts LLC, Dover, Delaware, U.S.A.		100.0
Postbank Support GmbH, Cologne		100.0
Postbank Versicherungsvermittlung GmbH, Bonn		100.0
2650 Virginia Avenue NW LLC, Dover, Delaware, U.S.A.		100.0
Postbank Finanzberatung AG, Hamelin	23.3	76.7
PB (USA) Realty Corp., New York, U.S.A.		94.7
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	
DPBI Immobilien KGaA, Munsbach, Luxembourg		10.0

On April 16, 2010, 401 Mass Avenue Holdings LLC, a wholly-owned subsidiary of PB Capital Corp., was deconsolidated.

In accordance with Interpretation SIC-12 issued by the International Financial Reporting Interpretations Committee (IFRIC), which requires the consolidation of special purpose entities under certain conditions, two special purpose entities formed to securitize installment loans and one special purpose entity established to securitize residential construction loans were consolidated.

There were no other changes in the basis of consolidation. Overall, the changes in the basis of consolidation have had no material impact on the net assets, financial position, and results of operations of the Group.

(4) Restatement of prior-year and prior-quarter figures

An allowance for losses on loans and advances of €90 million was recognized in the first nine months of 2009. This allowance should already have been recognized in the 2008 consolidated financial statements. The restatement of the allowance for losses on loans and advances merely involves a shift in its timing, so the result remained unchanged when viewed across both reporting periods.

The retrospective restatement of prior-quarter figures resulted in a €53 million reduction in the addition to the allowance for losses on loans and advances in the first half of 2009. The restatement also resulted in interest income of €7 million (unwinding effect) and a €17 million reduction in income from deferred taxes. Overall, profit in the first half of 2009 increased by €43 million net.

Starting in the first quarter of 2010, fee and commission income at Betriebs-Center für Banken Processing GmbH is no longer reported in other income, but in net fee and commission income. For the first half of 2009, this increases net fee and commission income by €4 million and reduces other income by the same amount. This adjustment does not affect total comprehensive income in the first half of 2009.

Earnings per share, segment reporting and the statement of changes in equity were adjusted accordingly.

[1] Prior-year figures restated (see Note 4)

Statement of comprehensive income disclosures

(5) Net interest income

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009[1] €m
Interest and current income		
Interest income from:		
Lending and money market transactions	2,637	2,801
Fixed-income and book-entry securities	888	1,394
Trading operations	12	14
Net gains/losses on hedges	–11	8
	3,526	4,217
Current income from:		
Equities and other non-fixed income securities	6	–
Investments in associates	1	1
	7	1
	3,533	4,218
Interest expense on:		
Deposits	1,427	2,279
Debt securities in issue	226	306
Subordinated debt	129	138
Swaps	385	289
Trading operations	20	–
	2,187	3,012
Total	1,346	1,206

€3,378 million (previous year: €3,965 million) of interest income relates to financial instruments classified as loans and receivables, €1 million (previous year: €3 million) to financial instruments classified as held to maturity, and €146 million (previous year: €227 million) to financial instruments classified as available for sale.

Interest income from lending and money market transactions includes €64 million (previous year: €22 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

Net gains/losses on hedges are composed of the following items:

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Gains on the fair value remeasurement of hedged items	574	151
Losses on the fair value remeasurement of hedging instruments	–585	–143
Total	–11	8

(6) Allowance for losses on loans and advances

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009[1] €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	456	261
Portfolio-based valuation allowances	8	19
Cost of additions to provisions for credit risks	11	8
Direct loan write-offs	16	17
Income from the reversal of the allowance for losses on loans and advances		
Specific valuation allowances	151	61
Portfolio-based valuation allowances	6	1
Income from the reversal of provisions for credit risks	9	7
Recoveries on loans previously written off	10	8
Total	315	228

€313 million (previous year: €227 million) of the allowance for losses on loans and advances relates to the loans and receivables category. €2 million was added to the allowance for losses on loans and advances for guarantees, warranties, and irrevocable loan commitments (previous year: addition of €1 million).

The cost of additions to and the income from reversals of the allowance for losses on loans and advances to customers can be broken down by product group as follows:

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009[1] €m
Additions		
Private mortgage lending	136	120
Home savings loans	2	2
Commercial loans	237	59
Public sector	–	–
Installment credits	28	35
Other loans and advances	51	42
Portfolio-based valuation allowances	8	19
Total	462	277

€2 million (previous year: €3 million) of the cost of additions to the allowance for losses on loans and advances relates to loans and advances to other banks.

[1]Prior-year figures restated (see Note 4)

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Reversal		
Private mortgage lending	40	43
Home savings loans	1	1
Commercial loans	101	6
Public sector	–	–
Installment credits	1	1
Other loans and advances	7	10
Portfolio-based valuation allowances	6	1
Total	156	62

€1 million (previous year: €0 million) of the income from the reversal of the allowance for losses on loans and advances relates to loans and advances to other banks.

(7) Net fee and commission income

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009[1] €m
Giro business	167	175
Securities business	68	65
Lending and guarantee business	70	72
Branch business	211	220
Other fee and commission income	143	117
Total	659	649

(8) Net trading income

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Net income from interest rate products	28	27
Net loss on derivatives carried in the trading portfolio and the banking book	–158	–267
Net loss from application of the fair value option	–15	–26
Net income from equities	–	3
Foreign exchange gain	23	57
Net fee and commission income in the trading portfolio	–1	–4
Total	–123	–210

The net loss on derivatives in the trading portfolio and the banking book includes income from asset/liability management amounting to €5 million (previous year: €87 million).

The net loss on derivatives also includes losses on the measurement of embedded derivatives from structured credit products of €120 million (previous year: losses of €314 million), and on capital-guaranteed promissory note loans (CPPIs) of €24 million (previous year: gains of €16 million).

(9) Net income from investment securities

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Net income from loans-and-receivables investment securities	84	–74
thereof: net income from sale	100	–5
Gains on sale	223	55
Losses on sale	123	60
thereof: net impairment loss	–16	–69
Net income from available-for-sale investment securities	–20	–57
thereof: net income from sale	–18	–9
Gains on sale	68	27
Losses on sale	86	36
thereof: net impairment loss	–2	–48
Net income from loans to other banks	–1	–2
thereof: net income from sale of loans and receivables	–1	–2
Net income from loans to customers	–2	15
thereof: net income from sale of loans and receivables	–2	15
Net income from investments in associates	–7	–
Total	54	–118

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Net income from bonds and promissory note loans	72	–1
Net income from equities and other non-fixed-income securities	7	–
Net income from investments in associates	–7	–
Impairment	–18	–117
Total	54	–118

€14 million (previous year: €41 million) of net impairment loss on investment securities relates to writedowns of structured credit products, €2 million (previous year: €43 million) to writedowns of other debt instruments, and €2 million (previous year: €33 million) to writedowns of retail funds and investments.

(10) Administrative expenses

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Staff costs	722	703
Other administrative expenses	618	632
Amortization of intangible assets	36	37
Depreciation and writedowns of property and equipment	32	31
Total	1,408	1,403

(11) Other income

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30,2009[1] €m
Income for property and equipment	11	15
Miscellaneous	68	48
Total	79	63

(12) Other expenses

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Other taxes	3	6
Expenses for property and equipment	1	1
Miscellaneous	63	52
Total	67	59

[1] Prior-year figures restated (see Note 4)

Balance sheet disclosures

(13) Loans and advances to other banks

	June 30, 2010 €m	Dec. 31, 2009 €m
Payable on demand	10,850	4,139
Other loans and advances	14,093	10,328
Total	24,943	14,467

Loans and advances to other banks consist solely of financial instruments classified as loans and receivables.

€6,344 million (December 31, 2009: €4,081 million) of loans and advances to other banks is due after more than 12 months.

The loans and advances to other banks can be broken down by product group as follows:

	June 30, 2010 €m	Dec. 31, 2009 €m
Securities repurchase agreements	8,892	5,054
Overnight money	10,028	4,176
Loans	3,943	4,564
Registered bonds	404	417
Term deposits	1,022	152
Other loans and advances	654	104
Total	24,943	14,467

Collateral received that can be unconditionally liquidated or can be unconditionally sold:

	Fair value of collateral that can be unconditionally liquidated or can be unconditionally sold		Fair value of collateral that was sold or repledged and is subject to an obligation to return	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Financial collateral	8,965	6,137	871	1,507
Non-financial collateral	–	–	–	–
Total	8,965	6,137	871	1,507

(14) Loans and advances to customers

	June 30, 2010 €m	Dec. 31, 2009 €m
Private mortgage lending	70,131	70,217
Home savings loans	3,750	3,766
Commercial loans	30,358	30,383
Public sector	1,427	1,589
Installment credits	3,795	3,620
Other loans and advances	2,720	1,468
Total	112,181	111,043

Loans and advances to customers are classified as follows in accordance with the measurement categories as defined in IAS 39:

	June 30, 2010 €m	Dec. 31, 2009 €m
Loans and receivables	103,596	102,408
Fair value option	8,585	8,635
Total	112,181	111,043

€84,760 million (December 31, 2009: €84,064 million) of loans and advances to customers is due after more than 12 months.

(15) Total credit extended

	June 30, 2010 €m	Dec. 31, 2009 €m
Loans and advances to other banks	24,943	14,467
Loans and advances to customers	112,181	111,043
Guarantees	1,033	1,105
Total	138,157	126,615

(16) Allowance for losses on loans and advances

The allowance for losses on loans and advances is composed of the following items:

	June 30, 2010 €m	Dec. 31, 2009 €m
Specific valuation allowances	1,656	1,491
Portfolio-based valuation allowances	154	150
Total allowances for losses on loans and advances	1,810	1,641
Provisions for credit risks	39	42
Total	1,849	1,683

€67 million of the allowance for losses on loans and advances relates to loans and advances to other banks and €1,743 million to loans and advances to customers classified as loans and receivables.

Collective specific valuation allowances are also reported under the specific valuation allowances.

The allowance for losses on loans and advances carried under assets changed as follows:

	Specific valuation allowances		Portfolio-based valuation allowances		Total[1]	
	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m
Balance at Jan. 1	1,491	1,209	150	114	1,641	1,323
Reclassification	–	–2	–	2	–	0
Additions						
Allowance charged to the income statement	456	261	8	19	464	280
Disposals						
Utilization	102	67	–	–	102	67
Allowance reversed to the income statement	151	61	6	1	157	62
Unwinding	64	22	–	–	64	22
Currency translation differences	–26	1	–2	–	–28	1
Balance at June 30	1,656	1,317	154	134	1,810	1,451

[1] Prior-year figures restated (see Note 4)

The allowance for losses on loans and advances to customers can be broken down by product group as follows:

	June 30, 2010 €m	Dec. 31, 2009 €m
Specific valuation allowances		
Private mortgage lending	462	429
Home savings loans	9	10
Commercial loans	568	412
Public sector	–	–
Installment credits	193	167
Other loans and advances	357	409
Portfolio-based valuation allowances	154	150
Total	1,743	1,577

(17) Trading assets

	June 30, 2010 €m	Dec. 31, 2009 €m
Bonds and other fixed-income securities	938	672
Equities and other non-fixed-income securities	12	300
Building loans held for trading	211	212
Positive fair values of derivatives carried as trading assets	29,785	18,640
Positive fair values of banking book derivatives	1,487	450
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	351	197
Total	32,784	20,471

€26,553 million (December 31, 2009: €15,114 million) of trading assets is due after more than 12 months.

(18) Investment securities

	June 30, 2010 €m	Dec. 31, 2009 €m
Bonds and other fixed-income securities		
Loans and receivables	53,321	59,401
Held to maturity	26	73
Available for sale	9,062	12,350
	62,409	71,824
Equities (available for sale)	5	4
Investment fund shares (available for sale)	417	460
Investments in associates (available for sale)	18	19
Investments in unconsolidated subsidiaries (available for sale)	58	52
Total	62,907	72,359

Investment securities amounting to €53,655 million (December 31, 2009: €64,985 million) are due after more than 12 months.

Investment securities were furnished as collateral for the following liabilities:

	June 30, 2010 €m	Dec. 31, 2009 €m
Liabilities	22,606	24,063
Contingent liabilities	24	23
Total	22,630	24,086

In fiscal years 2008 and 2009, Postbank reclassified securities out of the available-for-sale category to the loans and receivables category due to a change in its intention to hold the securities. The fair value of the securities at the respective reclassification date was reported as the new carrying amount.

As of June 30, 2010, the total amount of securities reclassified in accordance with IAS 39.50E had a fair value of €26.6 billion and a carrying amount of €28.0 billion.

Prior to the above-mentioned reclassification dates, the changes in fair value recognized in the revaluation reserve for the securities that were reclassified amounted to €–468 million before tax. Had Postbank not changed its intention to hold the securities, the loss recognized in the revaluation reserve would have increased by a further €1,346 million (December 31, 2009: €973 million) in the period up to June 30, 2010.

Given a nominal weighting of the reclassified securities, the effective interest rate calculated on the basis of their restated cost as of the date of the reclassifications was 4.4% (range of effective interest rates: 1.8% to 34.5%). The estimated cash flows that Postbank expects as of the date of the reclassifications amount to €45.4 billion. €33 million of impairments (previous year: €19 million) were charged for all reclassified securities by June 30, 2010, as were disposal losses of €6 million on reclassified securities (previous year: disposal losses of €4 million).

Interest amounting to €404 million (previous year: €621 million) accrued for the reclassified securities by June 30, 2010.

(19) Intangible assets

	June 30, 2010 €m	Dec. 31, 2009 €m
Acquired goodwill	1,651	1,651
Acquired software, concessions, industrial rights	603	622
Internally generated intangible assets and software	59	68
Advance payments on intangible assets and in-process intangible assets	39	27
Total	2,352	2,368

The acquired software, concessions, industrial rights item includes the capitalized BHW brand in the amount of €319 million. The capitalized amounts for customer relationships amounted to €80 million (December 31, 2009: €81 million); those for beneficial contracts amounted to €49 million (December 31, 2009: €53 million).

(20) Property and equipment

	June 30, 2010 €m	Dec. 31, 2009 €m
Land and buildings	679	686
Operating and office equipment	133	142
Advance payments and assets under development	4	10
Total	816	838

(21) Other assets

	June 30, 2010 €m	Dec. 31, 2009 €m
Prepaid expenses	550	478
Trade receivables	100	107
Receivables from tax authorities	14	14
Advances to members of the mobile sales force	14	13
Miscellaneous	155	133
Total	833	745

Other assets amounting to €424 million (December 31, 2009: €471 million) have a maturity of more than 12 months.

(22) Deposits from other banks

	June 30, 2010 €m	Dec. 31, 2009 €m
Payable on demand	2,162	1,757
With an agreed maturity or withdrawal notice	36,982	37,561
Total	39,144	39,318

Deposits from other banks only include financial instruments classified as liabilities at amortized cost.

€11,247 million (December 31, 2009: €11,164 million) of deposits from other banks is due after more than 12 months.

In fiscal year 2009, a provision of a loan agreement came into effect whereby the lender can demand early repayment of the loan in the amount of €25 million. In the period under review, the loan agreement was modified to the effect that the lender is no longer entitled to early repayment of the loan due to the event that occurred in 2009.

(23) Due to customers

	June 30, 2010 €m	Dec. 31, 2009 €m
Savings deposits	50,012	49,053
Home savings deposits	16,776	16,341
Other amounts due		
Payable on demand	36,944	33,569
With an agreed maturity or withdrawal notice	30,979	33,025
	67,923	66,594
Total	134,711	131,988

Amounts due to customers only include financial instruments classified as liabilities at amortized cost.

€35,152 million (December 31, 2009: €33,907 million) of amounts due to customers is due after more than 12 months.

(24) Debt securities in issue

	June 30, 2010 €m	Dec. 31, 2009 €m
Public-sector *Pfandbriefe*	1,855	1,735
Mortgage *Pfandbriefe*	5,212	4,237
Other debt instruments	9,151	10,750
Total	16,218	16,722

The mortgage *Pfandbriefe* item includes the issue of a *Jumbo Hypothekenpfandbrief* with a volume of €1.0 billion.

Debt securities in issue only include financial instruments classified as liabilities at amortized cost.

€8,872 million (December 31, 2009: €8,067 million) of debt securities in issue is due after more than 12 months.

(25) Trading liabilities

	June 30, 2010 €m	Dec. 31, 2009 €m
Negative fair values of trading derivatives	31,004	19,229
Negative fair values of banking book derivatives	3,065	2,223
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	1,360	982
Delivery obligations under securities sold short	47	–
Total	35,476	22,434

€29,062 million (December 31, 2009: €16,553 million) of trading liabilities is due after more than 12 months.

(26) Provisions

	June 30, 2010 €m	Dec. 31, 2009 €m
Provisions for pensions and other employee benefits	1,117	1,104
Provisions for home savings business	813	758
Other provisions	299	286
Total	2,229	2,148

€1,789 million (December 31, 2009: €1,762 million) of recognized provisions is due after more than 12 months.

(27) Other liabilities

	June 30, 2010 €m	Dec. 31, 2009 €m
Trade payables	88	118
Liabilities from other taxes	61	231
Liabilities from expenses for outstanding invoices	56	55
Liabilities from expenses for management bonuses	53	68
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	53	43
Deferred income	48	54
Liabilities from expenses for commissions and premiums	43	50
Miscellaneous liabilities	84	92
Total	486	711

€47 million (December 31, 2009: €49 million) of other liabilities is due after more than 12 months.

(28) Subordinated debt

	June 30, 2010 €m	Dec. 31, 2009 €m
Subordinated liabilities	2,627	2,589
Hybrid capital instruments	1,807	1,681
Profit participation certificates outstanding	1,159	1,224
Contributions by typical silent partners	14	13
Total	5,607	5,507

Subordinated debt only includes financial instruments classified as liabilities at amortized cost.

€5,453 million (previous year: €5,241 million) of subordinated debt is due after more than 12 months.

Other disclosures

(29) Contingencies and other obligations

	June 30, 2010 €m	Dec. 31, 2009 €m
Contingent liabilities		
on guarantees and warranties	1,033	1,105
Other obligations		
irrevocable loan commitments	9,355	9,857
of which: building loans provided	2,711	2,641
miscellaneous obligations	12,129	12,107
Total	22,517	23,069

(30) Fair values of financial instruments

Fair value hierarchy

While financial instruments are measured in accordance with IAS 39, Postbank uses the three-level fair value hierarchy in accordance with IFRS 7 for financial instruments measured at fair value.

Level 1:
This comprises listed securities and exchange-traded derivatives as well as all spot currency transactions.

Level 2:
This category includes financial instruments whose fair value is measured solely using observable market inputs. These include non-exchange-traded derivatives (e.g., swaps, caps, floors, CDSs) as well as bonds and promissory note loans that are valued using observable yield and spread curves and volatilities.

Level 3:
This comprises financial instruments whose fair value is measured using valuation techniques whose key inputs are not observable in the market. Such valuation techniques are particularly used to measure structured credit products.

The following table shows the allocation of financial instruments to the corresponding levels in the fair value hierarchy:

Assets measured at fair value	June 30, 2010				
		Fair value reported in:			
Classes	June 30, 2010 €m	Level 1 €m	Level 2 €m	Level 3 €m	December 31, 2009 €m
Financial assets at fair value through profit or loss (FVtPL)					
Trading assets	32,784	563	32,215	6	20,471
Hedging derivatives	695	0	695	0	520
Loans and advances to customers	8,585	0	8,585	0	8,635
Available-for-sale financial assets					
Investment securities	9,560	3,238	3,341	2,981	12,885
Loans and advances to other banks	0	0	0	0	0
Total	51,624	3,801	44,836	2,987	42,511

Liabilities measured at fair value	June 30, 2010				
	Fair value reported in:				
Classes	June 30, 2010 €m	Level 1 €m	Level 2 €m	Level 3 €m	December, 31, 2009 €m
Financial liabilities at fair value through profit or loss (FVtPL)					
Trading liabilities	35,476	46	34,146	1,284	22,434
Hedging derivatives	1,869	0	1,869	0	2,051
Total	37,345	46	36,015	1,284	24,485

Fair value of financial instruments carried at amortized cost or hedge fair value

	June 30, 2010		Dec. 31, 2009	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	4,893	4,893	4,534	4,534
Loans and advances to other banks (loans and receivables)	24,943	24,774	14,467	14,360
Loans and advances to customers (loans and receivables)	103,596	111,269	102,408	107,406
Allowance for losses on loans and advances	−1,810	−1,810	−1,641	−1,641
Investment securities (loans and receivables)	53,321	51,481	59,401	58,116
Investment securities (held to maturity)	26	26	73	73
	184,969	190,633	179,242	182,848
Liabilities				
Deposits from other banks (liabilities at amortized cost)	39,144	39,213	39,318	39,198
Due to customers (liabilities at amortized cost)	134,711	136,748	131,988	132,817
Debt securities in issue and subordinated debt	21,825	21,817	22,229	21,545
	195,680	197,778	193,535	193,560

(31) Derivatives

The Postbank Group uses derivatives to hedge positions as part of its asset/liability management policy. Derivatives are also entered into for trading purposes.

The notional amounts represent the gross volume of all sales and purchases. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

The fair values of the individual contracts were calculated using recognized valuation models and do not reflect any netting agreements.

Holdings of derivatives are composed of the following items:

	Notional amounts		Positive fair values		Negative fair values	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Trading derivatives	814,990	802,735	31,623	19,287	35,429	22,434
Hedging derivatives	24,974	39,331	695	520	1,869	2,051
Total	839,964	842,066	32,318	19,807	37,298	24,485

The following table presents the open conditional and unconditional forward transactions of the Postbank Group at the balance sheet date.

			Fair Value			
	Notional amounts		Positive fair values		Negative fair values	
	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m	June 30, 2010 €m	Dec. 31, 2009 €m
Trading derivatives						
Foreign currency derivatives	22,900	27,770	435	201	469	320
Interest rate derivatives	787,076	769,072	31,091	18,949	33,642	20,741
Equity/index derivatives	184	334	5	8	7	19
Credit derivatives	4,830	5,559	92	129	1,311	1,354
Total holdings of trading derivatives	814,990	802,735	31,623	19,287	35,429	22,434
Hedging derivatives						
Fair value hedges	24,974	39,331	695	520	1,869	2,051
Total holdings of hedging derivatives	24,974	39,331	695	520	1,869	2,051
Total holdings of derivatives	839,964	842,066	32,318	19,807	37,298	24,485

Risks relating to the financial instruments are presented in the Risk Report.

(32) Risk-weighted assets and capital ratio

Postbank ensures the correct determination of liable capital and own funds at Group level. Its regulatory own funds in accordance with the *Kreditwesengesetz* (KWG – German Banking Act) and the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) were as follows:

	June 30, 2010 €m	Dec. 31, 2009 €m
Credit and counterparty risk	58,650	57,738
Market risk positions	5,675	9,725
Operational risk	6,438	6,538
Total capital charge	70,763	74,001
Tier 1 capital	5,134	4,906
thereof: hybrid capital instruments	1,613	1,613
Tier 2 capital	1,886	1,866
thereof: profit participation certificates outstanding	1,115	1,115
thereof: subordinated liabilities	2,237	2,233
Tier 3 capital	0	0
Eligible own funds	7,020	6,772
Tier 1 ratio excluding market risk in %	7.9	7.6
Tier 1 ratio including market risk in %	7.3	6.6
Capital ratio in %	9.9	9.2

Postbank's regulatory risk-bearing capacity is ensured by its compliance with the regulatory minimum capital requirements. These are determined as ratios of available capital and risk positions entered into. The key components of Postbank's Tier 1 capital are the share capital, recognized reserves, and hybrid capital instruments. Tier 2 capital is composed of profit participation certificates outstanding and long-term subordinated liabilities after the deductions prescribed by law.

(33) Risk capital

The following table shows the allocation of the Postbank Group's risk cover amount, broken down by risk types on the basis of the authorized risk capital, before and after factoring in correlation effects and the unallocated risk cover amount, as of June 30, 2010 compared with December 31, 2009:

Risk capital by risk types		
Capital and risk components	Allocated risk capital	
	June 30, 2010 €m	Dec. 31, 2009 €m
Market risk	2,472	2,781
Credit risk	2,200	2,200
Operational risk	600	560
Investment and real estate risk	100	126
Collective risk	500	1,000
Business risk	2,100	1,893
Total before diversification	7,972	8,560
Diversification effects	1,450	1,456
Total after diversification	6,522	7,104
Unallocated risk cover amount	6,952	6,340
Total risk cover amount	13,474	13,444

Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report.

(34) Related party disclosures

Related party receivables

	June 30, 2010 €m	Dec. 31, 2009 €m
Loans and advances to other banks		
Companies with a significant influence	669	609
	669	609
Loans and advances to customers		
Companies with a significant influence	76	78
Subsidiaries	11	10
	87	88

Loans and advances to other banks with a significant influence relate in full to loans and advances to Deutsche Bank AG and primarily comprise receivables from money market transactions.

Loans and advances to companies with a significant influence over Deutsche Postbank AG relate primarily to loans and overdrafts extended to Deutsche Post AG.

Loans and advances to subsidiaries primarily relate to Deutsche Postbank AG's receivables from CREDA Objektanlage- und -verwaltungsgesellschaft mbH and from RALOS Verwaltungs GmbH & Co. Vermietungs-KG.

	June 30, 2010 €m	Dec. 31, 2009 €m
Trading assets		
Companies with a significant influence	4,210	2,555
	4,210	2,555
Hedging derivatives		
Companies with a significant influence	81	25
	81	25

Transactions involving trading assets and hedging derivatives relate solely to Deutsche Bank AG.

	June 30, 2010 €m	Dec. 31, 2009 €m
Investment securities		
Companies with a significant influence	131	181
	131	181

The investment securities relate to bonds issued by Deutsche Bank AG.

	June 30, 2010 €m	Dec. 31, 2009 €m
Other assets		
Companies with a significant influence	5	9
Subsidiaries	1	1
	6	10

The other assets attributable to companies with a significant influence relate in full to Deutsche Post AG.

Related party payables

	June 30, 2010 €m	Dec. 31, 2009 €m
Deposits from other banks		
Companies with a significant influence	–	2
	–	2
Due to customers		
Companies with a significant influence	42	11
Subsidiaries	70	67
	112	78
Trading liabilities		
Companies with a significant influence	4,840	3,040
	4,840	3,040
Hedging derivatives		
Companies with a significant influence	31	31
	31	31
Other liabilities		
Companies with a significant influence	24	53
Subsidiaries	2	3
	26	56
Subordinated debt		
Subsidiaries	80	100
	80	100

The deposits from other banks, trading liabilities, and hedging derivatives due to companies with a significant influence relate in full to Deutsche Bank AG.

The amounts due to companies with a significant influence relate in full to Deutsche Post AG.

Amounts due to subsidiaries relate primarily to a term deposit by Postbank P.O.S. Transact GmbH at Deutsche Postbank International S.A. and the provision of services between Deutsche Postbank International S.A. and BHW Invest S.A.R.L.

The other liabilities due to companies with a significant influence relate in full to Deutsche Post AG; in particular these relate to the retail outlet business as stipulated in the cooperation agreement.

The subordinated debt item contains subordinated liabilities of BHW Bausparkasse AG and Deutsche Postbank AG to BHW Euro Finance B.V. in the form of subordinated promissory note loans.

As of the end of the reporting period, contingent liabilities from guarantees and warranty obligations to Deutsche Post AG amounted to €3 million (December 31, 2009: €3 million). There are no contingent liabilities from other obligations, i.e., from irrevocable loan commitments or similar obligations to subsidiaries and associates.

Income and expenses from related parties

The transactions with Deutsche Post AG as the parent and relationships with its subsidiaries as other related parties are presented up to February 28, 2009.

The income and expenses relating to Deutsche Bank AG and Deutsche Post AG incurred after February 28, 2009 are reported as attributable to companies with a significant influence over Deutsche Postbank AG.

	Jan. 1 – June 30, 2010 €m	Jan. 1 – June 30, 2009 €m
Interest income		
Deutsche Post AG	–	3
Companies with a significant influence	17	10
Subsidiaries	1	1
	18	14
Interest expense		
Deutsche Post AG	–	1
Companies with a significant influence	7	14
Subsidiaries	2	3
	9	18
Fee and commission income		
Deutsche Post AG	–	76
Companies with a significant influence	22	18
Subsidiaries	2	1
	24	95
Fee and commission expense		
Subsidiaries	4	6
	4	6
Net trading income		
Companies with a significant influence	–201	–84
	–201	–84
Administrative expenses		
Deutsche Post AG	–	45
Companies with a significant influence	100	73
Subsidiaries	7	10
Other related parties	–	24
	107	152
Other income		
Companies with a significant influence	3	–
Subsidiaries	1	4
Other related parties	–	3
	4	7
Other expenses		
Companies with a significant influence	3	3
	3	3

€15 million of the interest income from companies with a significant influence relates to Deutsche Bank AG and €2 million to Deutsche Post AG.

The interest expense to companies with a significant influence relates entirely to Deutsche Bank AG.

The fee and commission income from companies with a significant influence in the amount of €22 million mainly relates to income from Deutsche Post AG for the postal services provided in Deutsche Postbank AG's branches.

The net trading income relates in full to Deutsche Bank AG.

The administrative expenses attributable to companies with a significant influence relate in particular to payments to Deutsche Post AG for the financial services provided in its retail outlets and for postage expenses.

(35) Members of executive bodies

Management Board

The members of the Management Board of Deutsche Postbank AG are:
Stefan Jütte, Bonn (Chairman)
Mario Daberkow, Bonn
Marc Hess, Bonn
Horst Küpker, Bad Honnef
Michael Meyer, Bonn
Hans-Peter Schmid, Baldham
Ralf Stemmer, Königswinter

The members of the Supervisory Board of Deutsche Postbank AG are:

1. Shareholder representatives
Frank Appel, Chairman of the Board of Management of Deutsche Post AG, Königswinter (Chairman)
Wilfried Boysen, businessman, Hamburg
Henry B. Cordes, *Ministerialdirektor*, Federal Ministry of Finance, Berlin
Edgar Ernst, management consultant, Bonn
Tessen von Heydebreck, previously Member of the Board of Management of Deutsche Bank AG and current Chairman of the Board of Deutsche Bank Foundation, Berlin
Peter Hoch, Munich
Ralf Krüger, management consultant, Kronberg
Hans-Dieter Petram, Inning
Lawrence A. Rosen, Member of the Board of Management of Deutsche Post AG, Bonn
Werner Steinmüller, Member of the Group Executive Committee, Global Head of Transaction Banking, Deutsche Bank AG, Frankfurt am Main

2. Employee representatives	
Frank Bsirske, Chairman of the ver.di Trade Union, Berlin (Deputy Chairman)	since July 20, 2010
Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)	until June 30, 2010
Wilfried Anhäuser, Chairman of Postbank Filialvertrieb AG's General Works Council, Kerpen	
Marietta Auer, Head of Department, Deutsche Postbank AG, Head Office, Unterhaching	
Rolf Bauermeister, Head of National Postal Services Group, at ver.di Trade Union (national administration), Berlin	
Annette Harms, Deputy Chair of Deutsche Postbank AG's Works Council, Hamburg	
Timo Heider, Chairman of the Works Council and General Works Council of BHW Bausparkasse AG, Hamelin	since July 1, 2010
Elmar Kallfelz, Chairman of Deutsche Post AG's European Works Council and member of Deutsche Post AG's General Works Council, Wachtberg	
Torsten Schulte, Head of Customer Service Center of Postbank Direkt GmbH, Hessisch Oldendorf	until June 30, 2010
Eric Stadler, Chairman of Deutsche Postbank AG's Works Council, Markt Schwaben	
Gerd Tausendfreund, trade union secretary of the ver.di Trade Union, Nidderau	
Renate Treis, Deputy Chair of Deutsche Postbank AG's General Works Council, Brühl	

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Bonn, July 29, 2010
Deutsche Postbank Aktiengesellschaft

The Management Board

Stefan Jütte

Mario Daberkow

Marc Hess

Horst Küpker

Michael Meyer

Hans-Peter Schmid

Ralf Stemmer

Review Report

To Deutsche Postbank AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of Deutsche Postbank AG, Bonn for the period from January 1 to June 30, 2010, which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("*Wertpapierhandelsgesetz*": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, July 30, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	Christoph Theobald
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial Calendar

Fiscal year 2010

- August 4, 2010 — Interim Report for the first half-year of 2010, analyst conference call
- November 11, 2010 — Interim Report for the third quarter of 2010, analyst conference call

No responsibility is taken for the correctness of this information – the right is reserved to make changes at short notice.

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This Interim Report contains forward-looking statements that relate to macroeconomic developments (in particular the development of money and capital market rates), the business and the net assets, financial position and results of operations of the Postbank Group. Forward-looking statements by definition do not depict the past and are in some instances indicated by words such as “believe”, “anticipate”, “predict”, “plan”, “estimate”, “aim”, “expect”, “assume” and similar expressions. Forward-looking statements are based on the Company’s current plans, estimates, projections, and forecasts and are therefore subject to risks and uncertainties that could cause actual development or the actual results or performance to differ materially from the development, results or performance expressly or implicitly assumed in these forward-looking statements.

Readers of this Interim Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Interim Report. Deutsche Postbank AG does not intend and does not undertake any obligation to revise these forward-looking statements.

The English version of the Interim Report constitutes a translation of the original German version. Only the German version is legally binding.

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